

DCUSA DCP 087 Consultation Responses – Collated Comments

	Question One	Do you understand the intent of the CP and are you supportive of its principles?
1	British Gas	Yes the intent is understood and we are supportive of the principles, although we feel the scope of the volatility proposal could go further by specifying which data flows the DNO's will use and the settlement run limits for the analysis.
2	CE Electric UK	Yes
3	Electricity North West	Yes, we understand the intent of the CP and support its principles.
4	Independent Power Networks Limited	Yes
5	Npower	yes
6	Scottish Power Energy Retail	We understand the intent of the CP. We support the move to reduce year on year volatility in CCM tariffs by using a more representative view of the customer's typical consumption pattern.
7	SP Distribution/SP Manweb	We understand the intent of the CP and support its principles.
8	SSE Supply	Yes
9	UK Power Networks	We do understand the intent of the CP and are supportive of its principles.
10	WPD	Yes
	Question Two	Do you consider that the proposal better facilitates the DCUSA

		objectives? Please give supporting reasons.
11	British Gas	We believe the CP helps deliver objectives 1 & 2 of the DCUSA general objectives by removing large spikes in costs which adds risk and premium to supplier prices, enabling all retail competitors to better understand future prices. We also believe that this CP helps the DCUSA CDCM objectives 2 & 3, for the same reasons above.
12	CE Electric UK	<p>We agree with the position adopted by the working group that the DCUSA CDCM Objectives 2 and 3 will be better facilitated by the implementation of the CP.</p> <p>Volatile tariffs do not support the facilitation of effective competition in the generation and supply of electricity since smaller market participants with a narrow portfolio of customers may be more exposed to the effects of volatile DUoS tariffs than larger market participants with a broad portfolio of tariffs. This is because overall DUoS tariffs are constrained by the DNOs allowed revenue such that large swings in individual CDCM tariffs will, all other things being equal, naturally result in compensating changes to all other CDCM tariffs. It is also the case that the impact on larger market participants with a broad portfolio of tariffs could also be significant.</p> <p>Volatile data inputs which may relate to exceptional single years of data could impair the cost reflectivity of the resultant tariffs.</p> <p>DCP087 will have the effect of smoothing the annual volatility surrounding these inputs to the CDCM whilst the use of a three rolling average will ensure that trends over time are captured. The change proposal will also ensure that the period used to derive the inputs is common across all DNOs.</p> <p>Hence, the proposal should allow the CDCM to better meet the DCUSA CDCM objectives of facilitating competition in the generation and supply of electricity and producing charges that are reflective of the costs incurred by the DNO.</p> <p>For the reasons outlined above we also agree with the working group's assessment that DCUSA General Objective 2 will be better facilitated by the implementation of the proposal.</p>

13	Electricity North West	<p>We agree that the change proposal better meets the DCUSA objectives. The smoothing of data over a 3 year period will result in a more cost-reflective allocation of costs to individual customers. The current practice of determining the data over a 1 year period creates data that is based on usage patterns which are impacted by weather over the last 12 months. This is not representative of the usage pattern in the coming year and therefore can create an unfair allocation of cost. A smoothed average of the previous 3 years will allow data to be determined that is more representative.</p>
14	Independent Power Networks Limited	<p>DCUSA General Objectives</p> <ol style="list-style-type: none"> 1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System. 2. As charges will be in theory be subject to less volatility, resulting in more predictable charges to iDNOs. 3. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity. 4. As charges will be in theory be subject to less volatility, resulting in more predictable charges to Suppliers. 5. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences. 6. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.

		<p>DCUSA CDCM Objectives</p> <ol style="list-style-type: none"> 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 2. that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences) <p>As charges will be in theory be subject to less volatility, resulting in more predictable charges to Suppliers.</p> <ol style="list-style-type: none"> 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 <p>Yes.</p> <ol style="list-style-type: none"> 4. that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business <p>Yes as will use a 3 year rolling average for data when calculating charges.</p>
15	Npower	<p>Yes. This proposal will reduce volatility / increase predictability of DUoS tariffs, thereby facilitating competition</p>

16	Scottish Power Energy Retail	<p>General Objective 2 and CDCM objectives 2 and 3.</p> <p>Volatile charges do not encourage effective competition as they reduce the ability of parties to forecast accurately. Also, suppliers which have a high proportion of customers in one particular market can be impacted more severely by change when compared to those who have a wider portfolio. The proposal should reduce volatility and therefore increase effective competition.</p> <p>A common approach across DNOs will further facilitate effective competition.</p> <p>An average of three years provides a truer picture of the costs incurred by DNOs over time and should therefore result in more cost reflective charges.</p>
17	SP Distribution/SP Manweb	<p>We agree with the conclusions of the working group in determining that DCUSA General Objective 2 and DCUSA CDCM Objectives 2 and 3 are better facilitated.</p>
18	SSE Supply	<p>DCUSA General Objectives</p> <ol style="list-style-type: none"> 1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System. <p>Yes.</p> <ol style="list-style-type: none"> 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity. <p>Yes.</p>

		<p>3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.</p> <p>Not relevant.</p> <p>4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.</p> <p>Not relevant.</p> <p>DCUSA CDCM Objectives</p> <p>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</p> <p>Yes.</p> <p>2. that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)</p> <p>Yes.</p> <p>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</p>
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19	UK Power Networks	<p>We consider that this change proposal better facilitates DCUSA objectives particularly DCUSA General Objectives 2, CDCM objectives 2, and 3.</p> <p>Smoothing the inputs to Load Characteristics and Peaking Probabilities limits the effects on prices resulting from one off data events in keeping prices more in line with underlying consumption trend which improves the forward-looking nature of prices. Improved forward-looking pricing with the added benefit of reducing volatility should better facilitate competition.</p>
20	WPD	<p>We believe that the change proposal does better facilitate the DCUSA objectives. Volatile tariffs do not support effective competition in the generation and supply of electricity since smaller players with a narrow portfolio of customers will be more exposed to large changes in tariffs and this risk will need to be priced into end charges. The change proposal reduces volatility and increases the predictability of tariffs and therefore</p>

		<p>improves the effectiveness of competition in the generation and supply of electricity.</p> <p>We also agree that the use of a three year average can improve the cost reflectivity of tariffs since the use of a single year could lead to tariffs being unduly impacted by unusual years (eg very cold/very mild winter or severe recession).</p>
	Question Three	<p>The Working Group welcome respondent's views on the legal drafting and in particular whether "reasonable endeavours" is appropriate or whether the legal drafting should be more specific in terms of the time period to be used in the calculations. In addition, how should DNOs deal with the situation in which the specified data is not available, and how should this be reflected in the legal drafting?</p>
21	British Gas	<p>We do not think reasonable endeavours are appropriate in this circumstance.</p> <p>If 3 years data is not available then 2 years should be used and the DNO should specify how much data has been analysed.</p>
22	CE Electric UK	<p>We are happy with the proposed legal drafting and the use of the „reasonable endeavours clause, as this terminology is already contained and used elsewhere within DCUSA. The proposed legal drafting currently refers to using data for „the most recent 3 year period for which data are available in time for use in the calculation of charges’, which we believe provides sufficient guidance in terms of the time period to be used in the calculation.</p> <p>The way that the legal drafting is written we do not believe that there is a requirement to be more specific about how DNOs should deal with the situation in which the specified data is not available, as they have to use ‘reasonable endeavours’ to obtain the correct data. In the unlikely circumstance that the data is not available that it would not be unreasonable to use the last set of data that met the requirements.</p>

22	Electricity North West	We agree with the legal drafting, including the term "reasonable endeavours". There may be unforeseen circumstances that prevent DNOs accessing this data within the timescales required for pricing. Although we consider this possibility unlikely, it should be accounted for in the wording of the clause. If the DNO is unable to update the data, the existing value should be used for pricing purposes. This is implied by the use of "the most recent 3 year period for which data are available".
23	Independent Power Networks Limited	If the concept of the modification is agreed on by all parties, it would be useful for the drafting to mandate the smoothing of inputs. This is as both Suppliers and iDNOs operate on a national basis and the proposed change must be implemented on a national scale for the benefits to be truly realised.
24	Npower	<p>We request 'reasonable endeavours' to be removed from the legal text since this introduces uncertainty on what will be used in the calculations. This should be a mandatory requirement.</p> <p>The legal text should also specify which time periods are used e.g. for year $x/x+1$ it uses $x-1$, $x-2$, $x-3$ data. Again, this gives full clarity on the data that will be used.</p>
25	Scottish Power Energy Retail	<p>Reasonable endeavours is sufficient within the legal text but we would recommend up to an average of five years data be used in order to maximise the benefit from the change.</p> <p>Where data is not available, we would suggest something similar to; Where the DNO Party is unable to obtain values for the full 3 year period, the DNO Party should use what values are available up to that point and amend the arithmetic average accordingly.</p>
26	SP Distribution/SP Manweb	Agree with the inclusion of the wording "reasonable endeavours" and believe the drafting is specific enough as it states the "most recent 3 year period".

		Wording should be included to clarify what data should be used if the specified data is not available to ensure a consistent approach.
27	UK Power Networks	The legal drafting should not be more specific in terms of the time period to be used in the calculation. The term 'reasonable endeavours' is appropriate in the legal drafting.
28	WPD	Reasonable endeavours is appropriate in our view. If DNOs do not have specified data available for whatever reason, they should use the data that they do have available. It could be that they are required to inform the industry of any data sets that are not available at the time of setting tariffs.
	Question Four	Are there any alternative solutions or matters that should be considered
29	British Gas	<p>We think that the legal drafting should remove the reasonable endeavours and allow the DNOs to use 2 years to average the load characteristics, if 3 years data is not available and tell all DCUSA parties exactly how they have calculated the load characteristics, i.e. whether they have used 2 or 3 years worth of data.</p> <p>We also think the DNOs should inform all parties where the load characteristics data has been sourced from (i.e. which dataflow) and what settlement flow has been included. We believe that R2 should be the minimum flow used (i.e. the earliest data, removing the potential volatility of SF and R1).</p> <p>If the analysis from using the average load characteristics looks erroneous the DNO must ask permission from the DCUSA panel to not use averages and keep to one year's data.</p> <p>All the comments above are similar to the line loss factor process within the BSC as specified by BSCP128 v3.0, particularly sections 3.1.9 and 3.1.10</p>

		http://www.elexon.co.uk/ELEXON%20Documents/bscp128_v3.0.pdf
30	CE Electric UK	None that we are aware of at the time of this response.
31	Electricity North West	No.
32	Scottish Power Energy Retail	None that we have identified.
33	SP Distribution/SP Manweb	None.
34	SSE Supply	No.
35	UK Power Networks	Within the scope of this change proposal we are not aware of any alternative solutions or matters that should be considered. Non availability of data is covered by the 'reasonable endeavours' principle.
	Question Five	The proposed implementation date is 01 April 2012 subject to Authority Consent being granted by 01 November 2011. Are you supportive of the proposed date?
36	British Gas	Yes. We would like the 3 year average load characteristics used for the indicative and final prices published for 1 April 2012.
37	CE Electric UK	We are supportive of this implementation date, provided that timely Authority consent is provided.
38	Electricity North West	Yes
39	Independent Power Networks Limited	Yes
40	Npower	yes
41	Scottish Power Energy Retail	We are supportive of the implementation date.
42	SP Distribution/SP Manweb	Yes, we are supportive of the proposed implementation date of November 2011.
43	SSE Supply	Yes
44	UK Power Networks	We are supportive of the proposed implementation date of 1st April 2012 subject to the Authority approval by the 1st November 2011. Should the Authority approval be after the 1 st of November 2011 then we would

		propose that the implementation date to be moved to the 1st April 2013
45	WPD	yes
	Question Six	Please state any other comments or views on the Change Proposal?
46	British Gas	We think this CP is a step forward in reducing the volatility in DUoS prices however further work is required so suppliers can understand how the load characteristics will actually be calculated by the DNOs and predict changes for next year, thereby reducing the risk premium and cost to customers.
47	SSE Supply	We support this change in the belief that it will reduce the volatility of DUoS prices.