

DCUSA DCP 096 Consultation Responses – Collated Comments

| Question One | Do you understand the intent of the CP and are you supportive of its principles? |
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| Electricity North West Ltd | We understand the intent of the CP and support its principles. |
| ES Pipelines | Yes |
| Inexus | Yes, we believe the intent is clearly stated and we support the proposed solution. |
| NEDL/YEDL | We understand the intent of the proposal and given that this appears to have been worked up to a level of detail that demonstrates increased cost reflectivity we feel it would better meet the DCUSA objectives. |
| UK Power Networks | UK Power Networks understands the intent of the change proposal and is fully supportive of its underlying principle - the calculation of more cost reflective DUoS charges. |
| The Electricity Network Company | Yes, we believe the intent is clearly stated and we support the principles. The proposal exposes a flaw in the current methodology and puts forward a pragmatic solution. |
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| Question Two | Do Supplier Parties consider themselves materially impacted by the CP and eligible to vote? |
| Electricity North West Ltd | N/A |
| ES Pipelines | N/A |
| Inexus | Not applicable to IPNL as we are not a supplier party. |
| NEDL/YEDL | N/A |
| UK Power Networks | UK Power Networks is of the opinion that Supplier Parties will be materially affected were this CP to be implemented and that it would, therefore, be appropriate for Suppliers to be eligible |

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| | <p>to vote on this matter.</p> <p>The intent of this CP is to increase the level of discounts given to LDNOs. Since the total revenue that a DNO is allowed to receive remains fixed (by the DNO's price control) the consequences of this CP are firstly to move costs from LDNOs to Suppliers and secondly to increase the 'all-the-way' prices.</p> <p>Given that the current LDNO market share is small the immediate financial impact on Supplier is also small; however as LDNOs' overall market share expands we would expect to see this small difference become larger with time.</p> |
| The Electricity Network Company | Not Answered. We are not a supplier party. |
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| Question Three | Do you agree with the level of data used in the Impact Analysis undertaken by DNOs on behalf of the Working Group? Provide supporting comments |
| Electricity North West Ltd | We agree with the level of data used in the impact analysis |
| ES Pipelines | Yes. The data analysis exercise was carefully crafted by the working group to deliver a useful illustration of the impacts of the proposed change. |
| Inexus | Yes. |
| NEDL/YEDL | The data collected by the working group is sufficient to make a sound impact assessment. DNOs provided data which has been used to model the impact on both the LDNO discounts and the resulting tariffs that are generated from the CDCM model. This enables parties to assess the impact on all customer categories and LDNO discounts, in order to make an informed decision on whether the change proposal can achieve the set objectives. |
| UK Power Networks | Given the questions asked by the RFI, yes |
| The Electricity Network | Yes. |

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| Company | The analysis impacted directly on the Model M workbook. Although the workbook is outside the governance of DCUSA, the work group provided guidance on the steps required to undertake the impact analysis in the Method M workbook. |
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| Question Four | Do you agree with the associated impact assessment completed by the Working Group? |
| Electricity North West Ltd | We agree with the impact analysis provided by the working group |
| ES Pipelines | Yes, the impact assessment is based on sound and consistent analysis across all DNO groups. |
| Inexus | The impact assessment appears to be generally consistent with our expectations. |
| NEDL/YEDL | The overall impact of this change proposal on LDNO discounts and supplier tariffs appears to be in line with expectation i.e. by excluding the transmission exit charges from the calculation of weighted average percentages, used to allocate opex, results in an increase in discounts at all network levels. |
| UK Power Networks | UK Power Networks is in agreement that impact assessment conducted by the Working Group is correct in principle however we would question the Working Group's assessed impact on suppliers – see our points made in response to the second question, above. |
| The Electricity Network Company | <p>Each DNO has had to undertake its own analysis separately because the Method M workbook is outside the scope of DCUSA governance.</p> <p>Impact analysis was carried out by DNOs separately, with the outputs from such analysis being provided back to DCUSA secretariat on an anonymous basis. Therefore we are unable to agree nor disagree with the impact assessment undertaken by DNOs. This is because we (and the workgroup) did not have full access to the data or the work undertaken separately by DNOs. Therefore it is not possible to comment on the quality or the accuracy of the impact assessment.</p> <p>Our assessment was carried out using pre DCP71A versions of the Method M. However, broadly speaking the impact assessment is similar with our own work.</p> |

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| Question Five | Do you agree that the legal drafting in section Error! Reference source not found. is appropriate to meet the Intent of DCP 096? |
| Electricity North West Ltd | We agree that the legal text meets the intent of DCP096 |
| ES Pipelines | Yes. |
| Inexus | Yes |
| NEDL/YEDL | We are in agreement with the legal drafting. |
| UK Power Networks | If the CP were to be implemented then UK Power Networks considers that the legal drafting would fulfil the intent of the change proposal. |
| The Electricity Network Company | <p>We agree that the legal drafting is appropriate.</p> <p>In respect of implementation, separate guidance may be required in respect of amending the Model M worksheet. However, we note that the DCUSA Panel has determined that the Method M Excel workbook, used to derive the LDNO discount factors, is outside the scope of DCUSA governance. Therefore, given that this workbook is outside the governance of DCUSA, changes to the workbook are also outside DCUSA governance.</p> <p>This is an unfortunate lacuna in DCUSA arrangements and is unhelpful since much of the detail of the methodology is embodied in the Model M workbook.</p> <p>We question why it has taken so long for DNOs to transfer the model M into open governance. Whilst this lacuna exists we believe it is important that each DNO make available up to date Method M workbook.</p> |
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| Question Six | Do you agree with the Working Group's assessment that DCP096 better meets the DCUSA |

| | General and Charging objectives as outlined in section Error! Reference source not found.? If not, please explain why and provide your assessment against the objectives. |
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| Electricity North West Ltd | We agree that DCP096 better meets the DCUSA general and charging objectives. |
| ES Pipelines | Yes. |
| Inexus | We agree entirely with the Work Group's assessment against the relevant objectives. |
| NEDL/YEDL | Excluding transmission exit charges from the calculation of weighted average percentages reduces the distortion in the allocation of costs and thereby improves cost reflectivity. |
| UK Power Networks | <p>No.</p> <p>Transmission exit charges are costs paid by DNOs for the use of assets owned by National Grid that form part of the national transmission system. Whilst they are treated under the DNOs' price control as a part of opex and are therefore included within Model M on the opex allocation sheet, they are in reality the capital cost of the next 'level' of assets within the total system that sit above the DNO EHV assets. The current method of modelling exit charges within the EHV assets is a proxy for this.</p> <p>The intent of the CP to move the treatment of transmission exit charges from its current 'opex at EHV' into incentives is inappropriate, and does not better meet the DCUSA Charging Objectives.</p> |
| The Electricity Network Company | <p>We agree that DCP096 better meets the objectives as outlined in Section 6.</p> <p>Under the current methodology transmission exit charges allocate a proportion of all other opex costs to the EHV tier. Whilst we agree that the DNO should be entitled to recover its transmission costs in full, such costs should not be used as an undue lever to apportion other operating costs to the EHV level.</p> |
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| Question Seven | Do you believe that the intent of DCP 096 is adequately met, or that there are alternative ways of meeting the intent of DCP 096? |
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| Electricity North West Ltd | The intent of DCP 096 has been adequately met. |
| ES Pipelines | The intent of DCP 096 was intentionally narrowly drafted and the proposed solution is the optimum way of meeting this intent. |
| Inexus | We believe the intent of the CP has been adequately meet. |
| NEDL/YEDL | The proposal ensures that exit charges do not play a part in determining the weighted average percentages used to allocate Opex. |
| UK Power Networks | <p>Alternative approaches would be to model transmission exit charges as 'capex at the level above EHV' rather than as 'opex at EHV' and/or to model any incentive outcome from the transmission connection point charges incentive as described in the CP (i.e. within the incentive component).</p> <p>UK Power Networks did not suggest either of these during the RFI as the very tightly worded intent of the CP does in practice preclude them.</p> |
| The Electricity Network Company | <p>Yes.</p> <p>We have not identified any alternatives to achieve the intent.</p> |
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| Question Eight | Please state any other comments or views on the Change Proposal? |
| Electricity North West Ltd | N/A |

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| ES Pipelines | N/A |
| Inexus | N/A |
| NEDI/YEDL | N/A |
| UK Power Networks | As requested by the Working Group UK Power Networks has modelled the impact on DCP096 in isolation. We would ask whether the Working Group has considered the cumulative impacts of DCP094, DCP095, DCP096, DCP097 and any other DCPs currently in progress with target implementation dates of 1 April 2012 on DUoS Charges, and whether parties voting may be influenced by the lack of knowledge on cumulative impacts. |
| The Electricity Network Company | N/A |
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