

**DCUSA DCP 094 Consultation Responses – Collated Comments**

<b>Question One</b>	<b>Do you understand the intent of the CP and are you supportive of its principles?</b>
Electricity North West	We understand the intent of the CP and agree that the current method M incorrectly skews the allocation of direct costs to HV.
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.
<b>Question Two</b>	<b>Do Supplier Parties consider themselves materially impacted by the CP and eligible to vote?</b>
Electricity North West	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

	<p>CP to be implemented and that it would, therefore, be appropriate for Suppliers to be eligible 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.
<b>Question Three</b>	<b>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</b>
Electricity North West	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 Company	<p>Yes.</p> <p>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.</p>
<b>Question Four</b>	<b>Do you agree with the associated impact assessment completed by the Working Group?</b>
Electricity North West	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 consistent with our expectations.
NEDL/YEDL	The overall impact of this change proposal appears to be minimal in the case of the LDNO tariffs and very small or negligible on core tariffs. In all but one of the DNOs the affected tariffs are those that we would expect to see change if the objectives of the proposal are to be met.
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. We note the Working Group's observations on the response by "DNO9" (para 3.2.2) and agree with the Working Groups conclusion.
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>Therefore impact analysis was carried out by DNOs separately, with the outputs from such analysis being provided back to DCUSA secretariat on an anonymous basis. As such we are unable to agree or disagree with the impact assessment undertaken by DNOs. This is because we (and the workgroup) do not have full access to the data or the work undertaken separately</p>

	<p>by DNOs. Therefore we do not comment on the quality or the accuracy of the impact assessment.</p> <p>We agree with the question mark against the discount factors produced in respect of DNO 9.</p> <p>Our analysis is that this change should not impact on LDNO discount factors for LV connected networks</p>
<b>Question Five</b>	<b>Do you agree that the legal drafting in section Error! Reference source not found. is appropriate to meet the Intent of DCP 094?</b>
Electricity North West	We agree that the legal text meets the intent of DCP094
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>Whilst this lacuna exists we believe it is important that each DNO make available up to date</p>

	Method M workbook on their respective websites.
<b>Question Six</b>	<b>Do you agree with the Working Group's assessment that DCP094 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.</b>
Electricity North West	The "load related new connections & reinforcement (net of contributions)" cost category should be taken into account when allocating direct costs but we accept that the data required to split this between voltage levels is not readily available. As such, we agree that the proposed modification 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	By allocating customer contributions only to the LV network the LV network level costs could be overstated whilst other network level costs could be understated. However we agree that there is not sufficient information currently available to allocate these costs to the specific network levels, so at this point in time the proposal would appear to better meets the charging objectives.
UK Power Networks	<p>No.</p> <p>UK Power Networks cannot agree with the Working Group's assessment that DCP094 better meets the DCUSA Charging objectives.</p> <p>Paras 2.31 &amp; 2.3.2 of the Consultation identify a defect in the CDCM. UK Power Networks acknowledges the presence of this defect caused by the lack of detail within the source data to identify values expressing the correct weighting in relation to direct cost to HV, HV/LV and EHV network levels.</p>

	<p>The CP proposes to address this defect by introducing a different defect - removing these costs altogether. It has not been demonstrated by the Working Group that this exchange of defects represents an improvement on the methodology as it currently exists both in terms of better facilitating competition or better cost reflectivity.</p> <p>The Working Group's assertions that the DCUSA objectives as outlined in sections 3.2.2 and 3.2.3. are met through the intent of this change proposal have not been tested and proven.</p> <p>UK Power Networks considers that the very tightly worded intent of the CP has in practice precluded the Working Group from considering this.</p>
The Electricity Network Company	We agree that DCP094 better meets the objectives as outlined in Section 6. Our further explanation (from that in the change proposal) in the Annex to this response explains why this is so
<b>Question Seven</b>	<b>Do you believe that the intent of DCP 094 is adequately met, or that there are alternative ways of meeting the intent of DCP 094?</b>
Electricity North West	The intent of DCP 094 has been adequately met.
ES Pipelines	The intent of DCP 094 was intentionally narrowly drafted and the proposed solution is the optimum way of meeting this intent.
Inexus	Yes
NEDL/YEDL	See above
UK Power Networks	An alternative approach to the identified defect would be to examine ways of improving the values underlying the weighing/split values and to model this case within Model M accordingly.

	UK Power Networks did not suggest this during the RFI as the very tightly worded intent of the CP does in practice preclude any alternative.
The Electricity Network Company	<p>We believe that the intent of DCP094 is met. Looking forward we note that DNO's may have greater granularity and accuracy on the allocation of costs (net of contributions) by voltage level.</p> <p>However, we believe DCP094 improves the methodology from its current state.</p>
<b>Question Eight</b>	<b>Please state any other comments or views on the Change Proposal?</b>
Electricity North West	N/A
ES Pipelines	N/A
Inexus	N/A
NEDL/YEDL	None
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	<p>We believe the change proposal sets out the rationale for the change. However, to assist understanding we provide additional explanation on how the '<i>Load related new connections &amp; reinforcement (net of contributions)</i>' figure used in the '<i>Calc – WPD Opex Allocation</i>'. This is given in the annex to this response.</p> <p>We believe the change proposal clearly sets out the rationale for this change.</p> <p>The anomalous results produced by DNO 13 and DNO 14 highlight the lack of transparency in the current Method M models and the inability for parties to do this.</p>
