

**DCUSA DCP 104 Consultation Responses – Collated Comments**

<b>Question One</b>	<b>Do you understand the intent of DCP 104 - Shared impact of manifest errors in DUoS charging?</b>	
EDF Energy	Yes	Noted
Electricity North West	Yes	Noted
ENC	Yes	Noted
IPNL	Yes	Noted
Northern Powergrid	Yes	Noted
Npower	Yes	Noted
SP Power Systems	Yes	Noted
SSE Supply	Yes	Noted
UK Power Networks	Yes	Noted
WPD	Yes	Noted
<b>Question Two</b>	<b>Are you supportive of the principles of DCP 104 including the implementation date? If not, do you believe there are alternative ways of meeting intent DCP 104? Provide Supporting comments.</b>	
EDF Energy	We support the principles of DCP 104 and the implementation date of 1 <sup>st</sup> April 2012.	Noted

	We agree that the DNOs should recover the full amount of the correct allowed revenue but that in the case of manifest errors this recovery should be phased to spread the risk of the correction across the DNO, Suppliers and Customers.	
Electricity North West	<p>Not supported because:</p> <ul style="list-style-type: none"> <li>(1) It would put DNO's in breach of <b>CRC3</b> (Restriction of Distribution Charges: UoS charges). Paragraph 3.2 says "<i>The licensee in setting Demand UoS Charges and Generation UoS charges, must take all appropriate steps within its power to ensure that, in Regulatory year t, Regulated Combined Distribution Network Revenue does not exceed Combined Allowed Distribution Network Revenue.</i>"</li> <li>(2) CRC14 (Supplementary Restrictions on Distribution Charges). The purpose of this licence condition is to impose financial penalties on DNOs in the case of under and over recoveries that exceed specified percentage thresholds. It can also allow the authority to restrict further year's charges. The recovery profile for manifest errors could therefore lead to DNO's falling foul of this condition.</li> <li>(3) Tariff prices should be cost reflective. This would not be the case if the costs were spread over three years.</li> <li>(4) Correcting of Manifest errors can result in either price increases or decreases, which may compound or lessen underlying price changes as a result of changes in allowed revenues. DNO's are best placed to assess the impact of all price movement factors when calculating charges. Some DNO's have in the past not sought to</li> </ul>	<p>In regard to the alternative suggestion: It was noted that this was put in to be "fairer" as sometimes the prices would be set already.</p> <p>HI noted that the major problem with that is the date when you discover the problem. If you discover the error later in the year; it could lead to the same (or potentially less) time for Suppliers to absorb the prices.</p> <p>CO and AJ noted that the License indicates that 3 months notice must be given, and that the License takes precedence over the DCUSA.</p> <p>It was highlighted that all DNOs do not agree that this alternative suggestion is a good idea. AJ noted the longer you leave the error; the more potential it has to distort the market.</p> <p>The Working Group discussed the alternative and noted that there wasn't majority support for the alternative suggestion by ENWL (from DNOs or Suppliers).</p>

	<p>recover allowed revenue in the shortest time permissible, and have, for good customer service spread shortfalls over a number of years, in order to reduce price volatility. DNO's should retain the freedom to take such actions, notwithstanding the need to comply with relevant licence conditions.</p> <p>An alternative suggestion would be to recover manifest error not at the earliest possible opportunity but from the beginning of the next regulatory year (April). The DNO's should have the choice to either recover within the regulatory year or use discretion to spread over a longer period.</p>	
ENC	No, we believe that suppliers have the ability to forecast prices well in advance and as such have long term contracts in place.	It was noted by HI that this responses misses the point of the CP; Suppliers do not have long term contracts in place for DNOs, but with customers. In the event of a price change, this can impact the cash flow of Suppliers.
IPNL	<p>IPNL does not support DCP104. IPNL notes that Ofgem in their decision letter on NEDL's change to UoS charges published on August 11th 2011 that <i>"We are investigating whether there is a need to introduce new licence conditions for the DNOs, to put in place suitable arrangements for dealing with errors and incentivising them to not make the errors in the first place."</i></p> <p>IPNL believes that rather than engineering a solution to deal with the effects of the problem, the issue should be treated at source i.e. the DNOs should have sufficient quality assurance checks in place to avoid making such errors with the possibility of Ofgem intervention acting as a sufficient deterrent.</p>	<p>The Working Group noted the response, and that Ofgem are going to consult on this topic; however, this has not been done yet, but could be upcoming in the near future.</p> <p>Many on the Working Group felt that this was the best way forward.</p> <p>HI noted that the issue is around not stopping errors from happening, but how to deal with them when they do occur.</p>

Northern Powergrid	<p>No.</p> <p>Distribution Network Operators are empowered to set tariffs to recover allowed revenues. The control on this is the applicability of penalties if over/underrecovery goes outside defined limits (Charge restriction condition 14 (CRC14) - “Distribution charges: supplementary restrictions” defines the tolerances within which we set charges to recover our allowed revenue, namely: not more than 5% over-recovered in any year; or not more than 10% under-recovered in two consecutive years). This provision would seriously impair our ability to interact with this control. Typically if a manifest error occurs DNO’s would communicate with the regulator to explain the error; evaluate the impact and propose a way forward. Where the regulator deems it to be a material enough issue they have the option to consult with the industry before providing direction to the DNO. The suppliers’ protection is the notice periods that DNO’s have to recognize before we change tariffs (3 months’ notice other than with the Authorities consent) and Ofgem’s consultative process before it reaches any important decision. Where possible any errors should be corrected as quickly as possible so as not to distort the market.</p>	<p>The Working Group noted this comment as similar issues were raised and discussed in earlier questions.</p> <p>This response confirms existing mechanisms that are already in place within the License.</p> <p>AJ noted that the ability for the DNO to manage these errors would be reduced if this change is made, and that the regulator is best placed to decide how to deal with these errors. AJ also noted that he felt smearing the prices over a set time period can lead to distortions in the market.</p>
Npower	Yes, we are supportive of the principles of DCP104, including the implementation date.	Noted.
SP Power Systems	<p>Distributors subject to price control are required to take all appropriate steps to set charges that do not exceed their allowed revenue ceiling, but at the same time they must also have sufficient resources to meet their licence and statutory requirements. It is a requirement on each licensee for its directors to certify each year to the Authority that they have sufficient resources to carry out their licensed activities for the next 12 months. A DCUSA requirement that might lead to a</p>	The Working Group noted that this comment raised issues that were already discussed in previous questions.

	<p>distributor being unable to price to its allowed revenue ceiling may conflict with its other requirements, and we therefore cannot support this proposal.</p> <p>Existing DCUSA requirements include a quarterly updated forecast by DNOs of allowed revenue and its component, and in addition distributors must give 3 months notice of proposed DUoS charges. Manifest (i.e, not forecasting) errors so large as to significantly impact on overall allowed revenue should be extremely rare. It should be remembered that DNOs are subject to penal interest rates for any over-recovery, and that explicit restrictions on charges apply if over (or under) – recoveries exceed preset limits. We believe that this issue should be looked at again if 'manifest' errors appear to recur over a period of time.</p>	
SSE Supply	Yes	Noted
UK Power Networks	<p>Whilst we are supportive of the principle of minimising the impact on Suppliers and Customers of an error occurring with DUoS Charges, we do have concerns that this change proposal will severely limit the opportunity of DNOs to adjust charges in order to maintain compliance with their licence.</p>	Noted, similar comments as above
WPD	<p>Not entirely.</p> <p>We are supportive of an error process being defined within DCUSA but there are some concerns around this.</p> <p>If there is a manifest error in prices, then in order to maintain cost reflective tariffs (a principle objective of the cdcM/edcm) then that error should be corrected as soon as possible. This will ensure all suppliers, both new and existing, would be in the best</p>	<p>The Working Group noted that this response raised similar issues as to previous questions, except that they think an error process should be defined within the DCUSA.</p>

	possible position to know the correct DUoS charges that apply.	
<b>Question Three</b>	<b>Do you agree that the Legal Text meets the intent of DCP 104?</b> <b>Provide supporting comments.</b>	
EDF Energy	Yes, the legal text is clear and meets the intent.	Noted
Electricity North West	Not applicable, CP not supported	Noted
ENC	Yes however we believe there is a typo in the following sentence "If the manifest date error does not result in an impact on the Network Operator's allowed revenue for that year but impacts the revenue recovered from each customer group, the matter is referred to the Authority for determination over the phasing of the correction over the 3 year period." We believe it should say Manifest Data not Manifest date.	MW noted that the legal text will be checked for a typo as highlighted in this response.
IPNL	Please see above.	Noted
Northern Powergrid	No. The change proposal talks about 'Manifest data input errors' yet the definition of a manifest error in the legal drafting refers to 'inputs or calculations within the model'. Hence the legal drafting does not match the intent of the change proposal.	HI noted that the Working Group had discussed this in detail at the meeting. MW noted that the working group did not agree in by majority that the word calculation should be used in the definition. The definition refers to data inputs and errors that are "unlikely" to occur, but DCP 104 would provide a mechanism if they do happen.
Npower	Yes, we agree that the legal text meets the intent of DCP104. It allows the correction of smaller errors to be spread equally over a 3 year period without referral to Ofgem. With larger errors, they are referred to Ofgem to determine the spread over the 3 years.  All manifest error correction should follow this route. We do not believe there should be any exceptions (e.g. a suggestion	Noted

	was made through the working group that manifest errors could be corrected if found between indicatives and finals). Any such option to do this is, in effect, a 'way out' clause and does not meet the intent of the change proposal. The legal text therefore specifically excludes the option of correcting between indicatives and finals.	
SP Power Systems	No. The drafting appears to imply that any manifest error, however small, that impacts on allowed revenue should result in rephasing of charges over a 3 year period. The legal text appears to imply an 'ex ante' control (i.e. proposed charges that would result from manifest errors would have to be rescinded and rephased). It also provides for the Authority to control tariffs for each customer group over a 3 year period where an error (however small) has occurred that does not impact on overall allowed revenue. All of these appear to go significantly further than the intent of the original proposal.	The Working Group think that SP has misunderstood the legal text, as there would be a minimal change that would be agreed by the Working Group "X and Y", and this is asked in a later question in the Consultation.
SSE Supply	Yes	Noted
UK Power Networks	Notwithstanding our concerns with the intent of DCP104 we agree that the legal text meets that intent.	Noted
WPD	N/A	Noted
<b>Question Four</b>	<p><b>Within the legal text, there are limits (X and Y) where, if the error is outside these caps, the matter will be referred to Ofgem for determination on the split over the 3 year period.</b></p> <p><b>What do you feel are the appropriate levels of X and Y in percentage terms for these caps?</b></p>	

EDF Energy	We consider appropriate levels of X and Y are -3% and +3% respectively.	Noted
Electricity North West	CP not supported	Noted
ENC	<p>We believe it would be difficult to set limits without visibility of the impact(s) of previous manifest errors and in addition we also believe that these caps should be based on this if they are required.</p> <p>We propose that where a manifest error is identified the supplier should be allowed to go to Ofgem to ask for a split over 3 years and a result caps are not required.</p>	Noted
IPNL	Please see above.	Noted
Northern Powergrid	We believe that there should be a deadband (say +/-3%) whereby no action is required. Only once outside these tolerances should the matter should be referred to Ofgem for them to determine the most appropriate course of action to be taken. Typically if a manifest error occurs DNO's would communicate it to the regulator and where they deems it to be a material enough an issue they have the option to consult with the industry before providing direction to the DNO. The suppliers protection is the notice periods that DNO's have to recognize before we change tariffs and Ofgem's consultative process before it reaches any important decision.	AJ noted that there should be a "dead band" where only the changes outside of this band should be referred to Ofgem, and anything inside of the band gets treated under current mechanisms. The Working Group agreed that this is outside of the intent of the CP.
Npower	10% for both X and Y	The Working Group decided that the values for X and Y should be set at 4%. This was decided as most of the responses indicated a value between 3-5%, and this would be the compromise value to be taken



		forward.
SP Power Systems	We do not support this proposal for the reasons set out above. There are existing restrictions on charges made by DNOs if over-recovery exceeds 5% of allowed revenue in any one year or if under-recovery over each of two successive years exceeds 10% of allowed revenue.	Noted
SSE Supply	A limit of 5% in either direction.	Noted
UK Power Networks	We consider that these caps should be very low, so that a significant error that could have a major impact upon the recovery position of the DNO is addressed through discussion and involvement of the Authority, and not just automatically addressed through adapting inputs into the CDCM model. We believe that both 'X' and 'Y' should be no more than 1% of the Allowed Revenue for that DNO business, anything larger that that value could cause significant issues in relation to the cash flow for the operation of that business.	Noted
WPD	If DCP104 is implemented, the X and Y parameters should be low in order to achieve early referral to Ofgem and hence early correction of the error. For example +/- 1% would seem appropriate.	Noted
<b>Question Five</b>	<p><b>Do you agree that DCP104 better meets the DCUSA General Objectives? Please provide supporting comments along with your assessment against the objectives.</b></p> <p>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>	

	<p>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> <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>4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.</p>	
EDF Energy	<p>2. DCP 104 will facilitate competition by spreading the risk resulting from manifest errors between all Parties: DNO's, Suppliers and Customers.</p> <p>A fairer spread of risk for corrections to manifest errors will allow Suppliers to set their prices to customers based on more predictable costs.</p>	Noted
Electricity North West	DCP104 would if implemented in its current form potentially contravene objective no 3. DNO's would potentially be forced to breach two licence conditions (CRC3 and CRC14).	The Working Group noted this comment as the issues raised have been discussed in previous questions
ENC	Objective 2 is the only objective which DCP104 could be argued to fulfil as this could spread the risk of manifest errors between all parties resulting in less price shocks for the industry and end consumers.	Noted
IPNL	N/A	Noted
Northern Powergrid	<p>No.</p> <p>The change proposal states that:</p> <p><i>"This will facilitate competition by spreading the risk caused by manifest</i></p>	AJ noted that in his opinion this doesn't spread the risk of manifest errors. It distorts the market and spreads the money over a specified time period.

	<p><i>errors between suppliers, customers and DNOs, reducing the impact of large price movements. Consumers will see this as a fairer spread of risk and it will allow Suppliers to price in market movements more transparently and prices will as a result be more predictable".</i></p> <p>In our opinion the proposal doesn't spread the risk between parties, it spreads it over time, and that increases the risk of market distortion and any correction being applied to the wrong customers.</p>	
Npower	<p>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> <p>This change proposal reduces sudden price shocks for suppliers, reducing the risk of windfall gains and losses.</p> <p>Consumers on pass through contracts also see much more price certainty over a period, making it easier for budgeting. For consumers on consolidated contracts, this gives suppliers more time to reflect these changes into customer charges. This means that consumers on pass through or consolidated contracts are being treated on a more equitable basis.</p>	Noted
SP Power Systems	<p>Please see our comments above. Given existing licence and other arrangements applicable to charging by DNOs this change would not better meet the DCUSA General Objectives .</p>	Noted
SSE Supply	<p>Objective 2. The change will make it easier for small suppliers to enter the market.</p>	Noted

UK Power Networks	<p>Objective 1 will be <b>hindered</b> under this change, in that as an error would be corrected over a three year period, the efficient and economic messages will not be correctly reflected, being spread over such a long period of time, and should more than a single error occur for a DNO the CDCM model would need to cope with the simultaneous correction of more than one error, which would be difficult to manage in conjunction with the annual review of data inputs.</p> <p>Objective 2 is <b>neutral</b> to this change, as all Suppliers, Generators and Consumers would see the same UoS charges.</p> <p>Objective 3 would be <b>hindered</b> by this change in that if the DNO was over recovered as a result of an error, and if agreement could not be reached with the Authority for the error to be corrected within the same regulatory year, then the DNO could be forced to breach its licence. However it is worth considering that using the current arrangements it would be possible on most occasions to correct the error without the DNO breaching its licence.</p> <p>Objective 4 is not applicable as it relates to governance.</p>	
WPD	Item 2 – it is probably best to have errors corrected as soon as possible to ensure cost reflectivity of tariffs to suppliers/end users and also to ensure suppliers have the best possible information to base their business plans on. This would presumably help competition in supply. In that respect if DCP104 is implemented then it would be better that it was over a shorter period than 3 years.	Noted
<b>Question Six</b>	<b>Provide comments on the following points about what should</b>	

	<p><b>or should not be included within the definition of manifest error:</b></p> <ul style="list-style-type: none"> <li>• <b>Any mistake that is made by entering or deleting information in the “inputs” tab on within the CDCM Model</b></li> <li>• <b>Any inadvertent error (formulae, additions or deletion) that is made within any area of the CDCM model with results in an error in any portion of the model</b></li> <li>• <b>Provide comments on any of these areas, as well as anything additional that you feel should be included or deleted from this definition.</b></li> </ul>	
EDF Energy	<p>We consider the manifest error definition should include both:</p> <ul style="list-style-type: none"> <li>• Any mistake that is made by entering or deleting information in the “inputs” tab on within the CDCM Model; and</li> <li>• Any inadvertent error (formulae, additions or deletion) that is made within any area of the CDCM model with results in an error in any portion of the model.</li> </ul>	Noted
Electricity North West	CP Not supported.	Noted
ENC	We believe that these definitions are full and complete.	Noted

IPNL	No comment	Noted
Northern Powergrid	The change proposal only talks about "Manifest data input errors" so that is all that can be included in the legal drafting.	Noted
Npower	<ul style="list-style-type: none"> <li>Any mistake that is made by entering or deleting information in the "inputs" tab on within the CDCM Model</li> <li>Any inadvertent error (formulae, additions or deletion) that is made within any area of the CDCM model with results in an error in any portion of the model</li> </ul> <p>All of the above we believe are manifest error issues. It should also include unit input errors (e.g. kWh vs MWh etc).</p> <p>Manifest error does not include errors such as demand forecasting inaccuracy due to different prevailing weather conditions etc.</p>	Noted
SP Power Systems	With regard to the first point, this should be clearer to ensure this covers any data errors found (i.e. information provided is incorrect possibly as a result of system errors).	Noted
SSE Supply	The definition of a manifest error should include both of the above situations.	Noted
UK Power Networks	A "Manifest Error" should be any input into the model, including the deletion or alteration of any formulae. It should be any	Noted

	input or use of the numbers which has or could have caused an error to be present in the final charges the model (s) produce.	
WPD	Agree with definition of manifest error.	The Working Group noted that there is general consensus on the definition of manifest errors.
<b>Question Seven</b>	<p><b>In terms of the spreading of these manifest errors over a 3 year time period, evaluate the following options as to when you feel it is appropriate for Year 1 begin:</b></p> <ul style="list-style-type: none"> <li><b>The following price change (October or April),</b></li> <li><b>The beginning of the next regulatory year (April)</b></li> <li><b>Please provide any other alternative method you feel would be appropriate</b></li> </ul>	
EDF Energy	Subject to a minimum 90 day notice period it would be acceptable for the start of Year 1 to be at the beginning of the next regulatory year (April).	Noted
Electricity North West	It is essential that DNO's are able to amend tariffs at the earliest opportunity to ensure they recover the correct revenue and there is no impact on the operation of the distribution network.	Noted
ENC	We feel that the following price change (October or April) would be appropriate.	Noted
IPNL	As stated above we do not support this proposal	Noted

Northern Powergrid	Where possible any errors should be corrected as quickly as possible so as not to distort the market so Year 1 should start as soon as possible.	Noted
Npower	We would prefer the beginning of the next regulatory year (April)	Noted
SP Power Systems	We do think any of these options are appropriate given our view that existing arrangements to deal with under- or over-recoveries are sufficient.	Noted
SSE Supply	Year 1 should begin at the following price change (October or April).	Agreed to note.
UK Power Networks	The start of the period should be at the next possible opportunity, so the next October or April whichever is first.	Noted
WPD	At the earliest next available opportunity	Noted
Question 8	<b>What are the current impacts of manifest errors on DNOs, Suppliers and Consumers? Within your supporting comments, please include how the implementation of DCP 104 would affect the impacts that are present for the Party groups.</b>	
EDF Energy	Manifest errors have significantly changed the distribution use of system cost at short notice when, as a supplier, we have priced contracts and tariffs without any ability to predict such a change. This can easily make contracts or tariffs loss making and is likely to dissuade new suppliers from entering the market.  The implementation of DCP 104 would provide more	Noted



	predictability of changes due to manifest errors, helping suppliers to more accurately price their customers.	
Electricity North West	<p>DNOs need security of income and cashflow to be able operate efficiently and manage their debt covenants, etc. Restricting DNOs income because of errors in charging which can't be rectified immediately could restrict or delay planned work and ongoing operations which would be to the detriment of the customer.</p> <p>The errors seen have been in the transitional period as new charging methodologies are being implemented. As DNOs gain more experience and put more quality assurance procedures in place these mistakes will become much less likely. Electricity North West are implementing a quality assurance process to minimise the risk of errors.</p>	The Working Group agreed that the second point is valid, but they are unaware of any of these coming about in the near future.
ENC	Unfortunately we were unable to gather this data in time for the response.	Noted
IPNL	IPNL believes that the only manifest errors that have occurred in the last 3 years are (1) Southern Electric (July 2011) where their tariffs were reset due to the reactive revenue being overestimated and (2) NEDL October 2011 where the incorrect loss factors were applied. Both errors coincided with the introduction of the new CDCM model for tariff setting. In both cases IPNL has amended its charges in the affected areas. The main impact on us as an IDNO is logistical in that we have to revise our charging statements and update our billing systems more than usual. The impact on suppliers is when us to pass any revised DNO charges (inclusive of the error/Error correction) on.	Noted
Northern Powergrid	DNO's endeavour not to introduce manifest errors into the charging models and where they have occurred they have been	It was noted that all Parties are likely to do this at the present time.

	corrected as quickly as possible so as to not distort competition in the supply market, often in consultation with Ofgem and the industry.	
Npower	<p>There have been 2 examples this year of manifest errors through incorrect data inputs (either directly or via cell lookups). On the first example, the result was that the majority of tariffs increased suddenly in July, only 3 months after the April price change. On the second example, business tariffs generally went down, with domestic tariffs generally going up.</p> <p>Both examples have led to suppliers suffering windfall losses.</p> <p>On the first example, all customers on pass through DUoS would have suffered unexpected price increases. On the second example, while business consumers on pass through contracts may have seen a decrease in their charges, consumers on non-pass through contracts did not have seen this benefit since there was insufficient time for these changes to flow through into customer contracts.</p>	Noted
SP Power Systems	<p>DNOs – allowed revenue would be affected if this error is not corrected and penalties may apply.</p> <p>Suppliers – a mid-year price change can affect their margins.</p> <p>Consumers – the impact will depend on the contract with their supplier.</p>	Noted
SSE Supply	The correction of a manifest error can lead to a sudden and unexpected change in a Suppliers DUoS liability, and also in a customer's DUoS payments. The implementation of DCP 104 would reduce this impact.	Noted
UK Power Networks	A "Manifest Error", could result in DUoS Charges increasing or decreasing incorrectly depending upon the error. Although the	Noted

	correct charges will be collected over a period of time (under this proposal up to three years), spreading the collection of the correct revenue although minimises the change in the charges does extend the impact of the error over a greater period of time. Also if the error was an incorrect increase in charges then there should be a concern that parties impacted (Suppliers and Consumers) would not be seeing the over charge being returned to them straight away, as it would instead be spread over a period of time, instead of at the next opportunity under the current arrangements.	
WPD	Impacts DNOs – administrative burden of re-calculating tariffs. Impacts on suppliers – unexpected change in costs. DCP104 would possibly make the administrative burden heavier for DNOs – as the change in prices would need to be monitored/reconciled in a separate process outside the cdcn.	Noted
Question 9	<b>If DCP 104 is accepted and implemented, would there be any System and/or Regulatory Changes that will need to be made?</b> <b>What are the costs and timelines associated with these changes?</b>	
EDF Energy	No	Noted
Electricity North West	CP not supported.	Noted
ENC	We believe that system changes may be required as a result of such a change but without more detail we would be unable to detail these at this time.	Noted
IPNL	We are not aware of any system changes or associated costs.	Noted

Northern Powergrid	<p>The main areas of concern are around the regulatory and competition issues of this proposal. From a regulatory perspective the concern is related to our ability to meet the requirements of the distribution licence. As previously discussed we are empowered to set tariffs to recover allowed revenues. The control on this is the applicability of penalties if over/under-recovery goes outside defined limits. This provision would seriously impair our ability to interact with this control. In addition any correction of allowances over a number of years may result in the requirement to set charges at a level above the revenue target allowed by the price control. From a competition perspective this proposal would distort competition in the supply market. If overcharging had occurred such that our charges were then artificially low over the next couple of years, a supplier that had not had significant numbers of customers in the area when the error (and the overcharging) happened, would have an unfair advantage in coming into the area. By the same token, if undercharging had occurred, such that our charges were artificially high over the next couple of years, new entrants would be discouraged from entering the area.</p>	Noted
Npower	No.	Noted
SP Power Systems	This change would necessitate a number of licence amendments to take account of additional restrictions imposed on DNOs' charging arrangements	Members of the Working Group noted and agreed that this CP can not change the License.
SSE Supply	The distributor's allowed revenue calculations will be affected.	Noted
UK Power Networks	<p>There are a number of potential system or regulatory issues that should be considered.</p> <p>Firstly the should a DNO be put in the position where it could not manage its recoveries within the constrictions of CRC14</p>	Noted

	<p>because of conflicting obligation within DCUSA then it should be given relief from CRC14 by Ofgem.</p> <p>Secondly we are unsure how it would be possible to consistently apply and if necessary audit a data input error within the CDCM or EDCM models. Considering that all inputs are reviewed annually and following DCP087 some CDCM inputs are smoothed over a three year period, we believe that there is an increased risk that a DNO could in fact create a secondary error in attempting to manage the correction of the 'Manifest Error' in conjunction with managing their annually revised and smoothed data. This is surely an added risk to that which we already have and should be fully considered when looking at this change. To manage this consideration should be given as to whether the CDCM spreadsheet needs to be revised to specifically accommodate manifest error adjustments.</p>	
WPD	No	Noted
Question 11	<b>Please provide any other comments or general views on DCP 104.</b>	
EDF Energy	N/A	Noted
Electricity North West	DCP 104 is not supported as this would cause DNO's to breach licence conditions.	Noted
ENC	N/A	Noted
IPNL	IPNL does not support DCP 104. We believe that the very small number of manifest errors (2) that have been caused in the last 3 years were due to inexperience in use of the CDCM model on behalf of a very small number of DNO users. We see this as a 'special set of circumstances' which we believe will not be	Noted

	repeated. We are aware that manifest errors could occur with regard to the imminent introduction of the EDCM but Ofgem has clearly stated that DNOs should ensure that procedures to input data should be more stringent and we believe that there will be no such errors in this or the CDCM in the future.	
Northern Powergrid	Where possible any errors should be corrected as quickly as possible and endeavour to leave all customers in exactly the same position by the end of the year as they would have been in if the error had never occurred, rather than leaving them either better or worse off than they should be in the year of the error and then getting them back to the correct revenue recovery in future years. This proposal would distort competition in the supply market. If overcharging had occurred such that our charges were then artificially low over the next couple of years, a supplier that had not had significant numbers of customers in the area when the error (and the overcharging) happened, would have an unfair advantage in coming into the area. By the same token, if undercharging had occurred, such that our charges were artificially high over the next couple of years, new entrants would be discouraged from entering the area.	Noted
Npower	<p>It is important to recognise that under this request, the DNOs will still recover the correct allowed revenue position by the end of the 3 year period. This is purely a delay mechanism to smooth price shocks for both customers and suppliers.</p> <p>It is impossible for suppliers or consumers to predict when a manifest error will occur. This CP builds on the good work that has already taken place across the Industry to improve predictability and transparency of DUoS charging since the error is smoothed out over a longer time period.</p>	The Working Group noted this as a valid point. DNOs have internal controls already to prevent these errors from happening, but their occurrence can never be ruled out entirely.

SP Power Systems	We would expect any further consideration of this proposal to take account of the extent of the problem identified, the existing restrictions on DNO under and over recoveries and a threshold for any rephasing to occur.	The Working Group noted this comment.
UK Power Networks	We have no other comments to add to those expressed above.	Noted
WPD	<p>One further way to deal with manifest errors is to enshrine in DCUSA a formal check process for example focusing on the summary and tariff sheets within the CDCM.</p> <p>Also, errors where found should be corrected as soon as possible for reasons already stated.</p> <p>Also, clause 14.18 of the licence already stipulates that DNOs need to present to Ofgem a charging statement which sets out amended charges, so there is already an existing mechanism that allows complete visibility of price changes to Ofgem</p>	Noted