



DCUSA Change Report

DCP 088 - Mid-year CDCM Charging Model

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA. The Change Report details DCP 088 – Mid-year CDCM Charging Model. The voting process for the proposed variation and the timetable of the progression of the CP through the DCUSA Change Control Process is set out in this document.
- 1.2 Parties are invited to consider the proposed amendments attached as Appendix A and submit votes using the form attached as Appendix D to dcusa@electralink.co.uk by 01 June 2012.

2 SUMMARY

- 2.1 DCP 088 seeks to change the Common Distribution Charging Methodology (CDCM) model to make it easier to implement the methodology for a change in tariffs on a date other than 1 April. It also modifies the formatting of the tariff worksheet within the CDCM model to mitigate non-zero values being displayed as blanks. Both changes are captured by an update to the model version number and issue date, with some minor changes to the DCUSA document being required to reflect how the model is used by the DNOs.

3 DCP 088 – MID-YEAR CDCM CHARGING MODEL

- 3.1 The DCUSA Panel considered DCP 088 in March 2011 and determined that the CP should be progressed as a standard Part One change through the Definition Phase to allow a Working Group to assess and develop the CP and the proposed legal text and model.

4 DCP 088 – WORKING GROUP

- 4.1 The DCUSA Panel established a Working Group to assess and develop DCP 088. The Working Group consisted of representatives from DNOs, Suppliers and Ofgem, and has met on 12 occasions since its formation in March 2011.

5 CONSULTATION AND IMPACT ANALYSIS

- 5.1 The Working Group considered that DCP 088 is a change only to the way the methodology is implemented, not to the methodology itself; and therefore it will not have any impact on tariffs.
- 5.2 The Working Group issued a specification to the DCUSA Professional Adviser (PA), asking them to update the CDCM model to allow further analysis of the proposed change. The Working Group did not agree that the first version of the updated model fully met the original intent of the CP or the specification in allowing for a mid-year price change. A final version of the model was approved by the Working Group on 05 March 2012 and is attached as appendix B.
- 5.3 The Working Group issued the model and legal text for consultation to Parties; five Distributors and two Suppliers responded. The Consultation asked the following questions to Parties:

Do you understand the intent of the CP and are you supportive of its principles?

- 5.4 All respondents to the consultation indicated that they understood the intent of DCP 088 and were supportive of its principles.

Do you consider that the proposal better facilitates the DCUSA CDCM and General objectives? Please give supporting reasons.

- 5.5 The majority of Consultation respondents agreed with the Working Group's consideration in relation to which DCUSA Objectives are facilitated by the CP. The Working Group's conclusions are set out in section 8 of this report.
- 5.6 Two respondents agreed that DCUSA Charging Objective 2 is facilitated by the CP, as it will provide a CDCM model that can be used to model a mid-year tariff change in a more transparent way than the current CDCM model. This therefore increases transparency and supports competition.
- 5.7 Three respondents agreed that the CP facilitated all the DCUSA General and Charging Objectives.
- 5.8 The following table outlines the respondents' views on which Objectives are facilitated by the CP:

	General Objective	Charging Objective
Objective #1	3	4

Objective #2	4	5
Objective #3	4	4
Objective #4	5	5

Are there any alternative solutions or matters that should be considered?

5.9 One Party noted that there were a number of minor formatting errors. These were resolved by the Working Group and are reflected within the finalised model attached as Appendix B.

The proposed implementation date is 23 May 2012 subject to Authority Consent. Are you supportive of the proposed date?

5.10 All respondents were supportive of the 23 May 2012 implementation date.

Do you have any comments on the legal drafting?

5.11 One respondent noted a minor issue with clauses 90 onwards of the legal text showing as track changed with their numbers incremented by 1. The errors were resolved by the Working Group and reflected in the legal drafting attached as Appendix A.

Do you have any comments or responses to the questions that were asked of DNOs in the Working Group's Request for Testing?

5.12 One respondent noted that the questions posed to DNOs have enabled them to conduct some testing on the accuracy of the updated model but not on whether it improves transparency.

5.13 A second respondent noted that the format in table 1095 of the updated model is not the same as that in table 3701 and so the manual copy/paste of data poses a risk to the integrity of the tariffs being calculated for the second charging period. The Working Group discussed this point and noted that the consultant's report explained how to mitigate this risk: "To populate tables 1095 or 1097 from previous CDCM models, the best way is to take the data from table 3605, which has the same data as table 3701 but in the same order as table 1095 or 1097. With the versions of Microsoft Excel that I use, the easiest way of ensuring that pasted values are rounded to the displayed number of decimal places, rather than pasted as the underlying values, is to close the workbook being copied from before pasting." The Working Group agreed that these points were explained within this paragraph and should be dealt with separately and therefore outside the scope of delivering the intent of this CP.

If you have performed any testing on this Model, through a request for testing or through this consultation, please provide details of your findings?

5.14 One respondent noted that for 1 mid-year price change tariffs very closely matched the Oct 11 mid-year tariffs (variances of up to 0.002 in some unit rate 1 tariffs).

Do you feel that the summary tables are constructed in the best way, and do you have any comments on these? For example, do the summary tables add to users' comprehension, and do they improve transparency?

5.15 The majority of respondents noted that the summary tables are constructed in the best way and improve transparency.

What are your views with respect of the consultant's report?

5.16 One respondent asked that consideration be given to the issues raised in paragraphs 21 and 22 of the consultant's report and if it is easily achieved, both issues should be incorporated as part of the changes being made in DCP 088. However if generation tariff changes are to be included as part of table 4101, a comment should be included to explain what a +ve/-ve change actually means to avoid confusion. The Working Group agreed that the items listed in these paragraphs, although practical changes, are not covered by the intent of the CP which is to deliver a model that will allow a mid year price change. Therefore all such formatting and general improvements to the model were considered out of scope by the Working Group and should be considered separately.

5.17 A second respondent considered that the items in paragraphs 20 and 23 fall outside the scope of this CP and so should not be changed. They suggested the CDCM model should be published by the DCUSA Secretariat in the latest 'xlsx' format, which would not be a required service from the consultant. The Working Group however, noted that a number of Parties are not able to view the 'xlsx' format, and that the current format appears to be acceptable for all Parties and therefore agreed to retain the model in the 'xls' format.

5.18 A third respondent considered that the consultant's report is clear in explaining the changes that have been made to the model. However, in order to ensure commonality in the calculation of the new inputs, particularly the extra column in table 1076 (Target Revenue), it would be

beneficial to provide some guidance notes. This could potentially be added to the CDCM user manual. Working Group agreed to pass this issue to the DCMF MIG for further review.

Do you have any further comments?

- 5.19 One respondent noted a minor point that the new model appears to have unnecessarily removed row 13 from the Input Sheet – this is undesirable as it unnecessarily adds a difference between the input sheet in the current CDCM and input sheet in the proposed new CDCM. The Working Group agreed that this error was minor formatting issue with the changes to the model and can be addressed as part of DCP 088; it was sent back to the consultant and updated.

6 WORKING GROUP CONCLUSIONS

- 6.1 A summary of the collated consultation responses and Working Group comments to the responses is attached as Appendix B.
- 6.2 The DCP 088 Working Group, through its review of the consultation comments, agreed that further changes to the model would become necessary. However it was agreed that changes not relevant to ensuring that the Model allows for a mid-year price change as the intent of DCP 088 requires, were out of scope of DCP 088, and should be progressed by a separate change(s).
- 6.3 The Working Group concluded that the DCP 088 model effectively allowed for a mid-year price change and creates transparency. Suppliers will be able to view any prices changes, as the updated calculations will be published on Distributors' websites.
- 6.4 There were a number of formatting errors in the legal text and the model that were identified in the consultation responses, which were considered in scope of DCP 088. The Working Group agreed these, and the amendments are reflected in the finalised attachments of the Model and the legal text, Appendices B and C.

7 PROPOSED AMENDMENT AND LEGAL DRAFTING

- 7.1 The proposed legal drafting of DCP 088 has been drafted by Wragge & Co and is attached as Appendix A.
- 7.2 DCP 088 will add to DCUSA Schedule 16, the definition of 'tariff applicability period' as the relevant regulatory year, or (in the case of tariff changes part way through the regulatory year) either (as the context requires): (a) the remaining period of the regulatory year from which the revised tariffs are to apply; or (b) each of the successive periods from the start of the regulatory year until that (or a previous) tariff change.
- 7.3 The legal drafting will also update clause 89 of Schedule 16, so that DNO Parties estimate relevant revenues for the regulatory year by:
- summing the forecast of volumes multiplied by tariff components for the current charging period, where the tariff components for the charging period being calculated are those derived from step 2;
 - adding the revenue for previous charging periods as estimated by the DNO (which may include reconciliation for prior years); and
 - excluding any revenues treated as excluded revenue under the price control conditions.
- 7.4 The proposed DCP 088 Model is attached as Appendix B.

8 EVALUATION AGAINST THE DCUSA AND CHARGING OBJECTIVES

- 8.1 The Working Group considered the consultation responses regarding whether DCP 088 better facilitated each of the DCUSA Charging Objectives and determined:
- Charging Objective 1¹ – Better Facilitated. The CP will provide greater transparency and more effective discharge of licence obligations when doing a mid-year price change.
 - Charging Objective 2² – Better Facilitated. The CP will provide greater

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

transparency and additional information which will facilitate competition.

- Charging Objective 3³ – Better Facilitated. The CP will make it possible for DNOs to implement mid-year price changes in a consistent and visible manner.
- Charging Objective 4⁴ – No impact.
- Charging Objective 5⁵ – No Impact.

8.2 The Working Group also considered the consultation responses regarding whether DCP 088 better facilitated each of the DCUSA General Objectives and determined:

- General Objective 1⁶ – No impact.
- General Objective 2⁷ – Better Facilitated. The CP will provide greater transparency and thus competition.
- General Objective 3⁸ – Better Facilitated. The CP will provide greater transparency, in particular giving IDNOs a more transparent view of inputs.
- General Objective 4⁹ – No impact.
- General Objective 5¹⁰ – No impact.

transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)

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

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

⁵ that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

⁶ The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System

⁷ The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity

⁸ The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.

⁹ The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.

¹⁰ Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

9 IMPLEMENTATION

- 9.1 The proposed implementation date is as soon reasonably practicable following Authority Consent. This will ensure that the updated model is in place so that mid-year 2012/2013 tariff revisions can be calculated, if required.

10 ENGAGEMENT WITH THE AUTHORITY

- 10.1 Ofgem has been fully engaged throughout the development of DCP 088 as member of the DCP 088 Working Group, DCUSA Panel and the DCMF MIG.

11 PANEL RECOMMENDATION

- 11.1 The Panel approved this Change Report at its meeting on 16 May 2012. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 088.

- 11.2 The DCP 088 Working Group and the DCUSA Panel agreed that the CP impacts all Parties and will therefore be issued to all DCUSA Parties for voting on the 18 May 2012.

Activity	Date
Issue CP for voting	18 May 2012
Voting deadline	01 June 2012
Issue Change Declaration to Parties and Ofgem	07 June 2012
Authority decision	12 July 2012
Implementation	As soon reasonably practicable following Authority Consent

12 APPENDICES:

Appendix A - DCP 088 Legal Drafting

Appendix B – DCP 088 Updated CDCM Model

Appendix C – DCP 088 Consultation Documents

Appendix D - DCP 088 Voting Form