

DCUSA CHANGE DECLARATION

DCP 088 - Mid Year CDCM Charging Model

VOTING DATE: 01 June 2012

| DCP 088 | WEIGHTED VOTING | | |
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| | DNO | IDNO/OTSO | SUPPLIER |
| CHANGE SOLUTION | Accept | Accept | Accept |
| IMPLEMENTATION DATE | Accept | Accept | Accept |
| RECOMMENDATION | <p>Change Solution – ACCEPT In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the change solution was greater than 50% in all Categories that voted.</p> <p>Implementation Date – ACCEPT In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the implementation date was greater than 50% in all Categories that voted.</p> | | |
| PART ONE / PART TWO | Part One – Authority Determination Required | | |

| PARTY | SOLUTION (A / R) | IMPLEMENTATION DATE (A/R) | COMMENTS |
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| DNO PARTIES | | | |
| Eastern Power Networks | Accept | Reject | <p>The date of the model within the legal text will need to reflect the actual publication date.</p> <p>Cell A3 of the overview sheet of the model suggests this is a draft version for testing only. This text will need to be removed at publication.</p> <p>We are concerned about the proposed implementation date. The change is to the methodology and so must be effective on 1 October or 1 April in order that DNOs are compliant with charging prices based on their methodology. As the methodology directly references the model used this would not be the case at any other date. Our preference would be for a 1 April 2013 implementation, giving a consistent approach to the model through a full regulatory year.</p> |
| London Power Networks | Accept | Reject | See response for Eastern Power Networks. |
| South Eastern Power Networks | Accept | Reject | See response for Eastern Power Networks. |

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| Electricity North West Limited | Accept | Accept | N/A |
| Northern Powergrid (Northeast) Limited | Accept | Accept | <p>We fully support the introduction of a mid-year CDCM charging model. It will improve transparency and consistency across DNOs. It will ensure that suppliers are able to extract the same consistent information across all DNOs should a mid-year change be needed. Currently there is no model available so all calculations have to be done outside of the model. This leads to a lack of transparency. The development of the model has undergone several iterations and has also provided an opportunity to address some minor formatting issues.</p> <p>One point that was raised was that, 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. This should be passed to the DCMF MIG for further review.</p> |
| Northern Powergrid (Yorkshire) plc | Accept | Accept | See response for Northern Powergrid (Northeast) Limited |

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| SP Distribution | Accept | Accept | N/A |
| SP Manweb | Accept | Accept | N/A |
| Southern Electric Power Distribution plc and | Accept | Accept | N/A |
| Scottish Hydro Electric Power Distribution plc | Accept | Accept | N/A |
| Western Power Distribution (East Midlands) plc; | Accept | Accept | N/A |
| Western Power Distribution (West Midlands) plc; | Accept | Accept | N/A |
| Western Power Distribution (South Wales) plc; | Accept | Accept | N/A |
| Western Power Distribution (South West) plc | Accept | Accept | N/A |
| IDNO PARTIES | | | |
| Independent Power Networks Limited | Accept | Accept | N/A |
| ESP Electricity | Accept | Accept | N/A |
| The Electricity Network Company | Accept | Accept | N/A |
| UK Power Networks (IDNO) | Accept | Reject | See response for Eastern Power Networks. |
| SUPPLIER PARTIES | | | |

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| <p>British Gas</p> | <p>Reject</p> | <p>Accept</p> | <p>Unfortunately, whilst we are supportive of the intent of this change proposal and of implementing a working solution as soon as practicable, on reviewing the proposed legal text we have identified a number of errors which have led us to reject the proposal.</p> <p>Below is a list of the issues identified with the legal text:</p> <p>Paragraph 7 should refer to a full year</p> <p>We do not believe paragraphs 25 and 29 are in line with the intention of the change proposal: we don't expect DNOs to change their service models or review their customer contributions for a mid-year price change.</p> <p>Paragraphs 38 and 39 should refer to a full year.</p> <p>The proposed change to paragraph 54 is not valid: the licence conditions do not provide a way of preparing that forecast.</p> <p>Paragraphs 68, 71 and 78 are wrong, they should refer to the number of days in a year.</p> <p>Paragraph 89 is wrong: adding (a) and</p> |
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| | | | <p>(b) gives a measure of revenue in a year, not in the tariff applicability period.</p> <p>We believe the changes required to correct for the above are more than 'housekeeping' changes since they will result in different CDCM charges.</p> |
| <p>GDF SUEZ Marketing Limited</p> | <p>Accept</p> | <p>Accept</p> | <p>We support this change as it should mean that charging calculations from DNOs are more accurate. We would however like to register our concern that in combination with the rejection of DCP105 (Fixed bi-annual amendment of DUoS tariffs) this change, were it implemented, has the potential to increase the volatility of DUoS tariffs by making it easier for DNOs to amend them within-year.</p> <p>In this context we note the comments made by Ofgem in their letter rejecting DCP105 and reproduced below:</p> <p style="padding-left: 40px;">"Throughout the RIIO price control review process¹⁰ (for gas distribution companies and transmission owners), which is currently ongoing, stakeholders have discussed with us the impact of network charging volatility. Some useful options,</p> |

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| | | | <p>from both network companies and suppliers have been brought forward on how to mitigate the impact of volatility. We are therefore proposing to consult on this issue more widely in order to allow all stakeholders, including those participating in the electricity market, an opportunity to contribute their views. Within this consultation we will discuss the causes of volatility, including DNO errors in charging calculations, and whether additional arrangements should be put in place to mitigate their impact. If a modification to the electricity distribution licence is required as a result of our decision, we will consult further on this".</p> <p>We feel that if DCP088 is implemented, which it should be as it promotes efficiency and accuracy, its potential impact on charging volatility should be included in the issues being addressed via this consultation.</p> |
| <p>Scottish Power Energy Retail Ltd</p> | <p>Accept</p> | <p>Accept</p> | <p>N/A</p> |

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| SSE Energy Supply | Accept | Accept | N/A |
| Npower | Accept | Accept | Should be mindful that Ofgem is currently consulting on charging volatility. One option is to move to DNOs tariffs changing on 1 April only. If that is accepted, then this CP is not required. |
| EDF Energy | Accept | Accept | The new model will enable suppliers to have transparency of mid year changes. |