

## DCUSA Change Proposal Form

This form is issued in accordance with Clause 10.5 of the DCUSA.

Completed forms should be returned to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) for assessment by the DCUSA Panel. Failure to complete all parts of the form may result in it being rejected by the DCUSA Panel.

- PART A – Mandatory for all Change Proposals
- PART B – Mandatory for Non Charging Methodologies Proposals
- PART C – Mandatory for Charging Methodologies Proposals
- PART D – Guidance Notes

### PART A - MANDATORY FOR ALL CHANGE PROPOSALS

Document Control	
CP Status	Standard
CP Number	[Assigned by the Panel Secretary]
Date of submission	20 March 2012
Attachments	None
Originator Details	
Company Name	Haven Power Limited
Originator Name	Antony Badger
Category	SUPPLIER
Email Address	<a href="mailto:antony.badger@havenpower.com">antony.badger@havenpower.com</a>
Phone Number	01473 707182
Change Proposal Details	
CP Title	Limit increases to DUoS tariffs to 20% in one year
Impacted parties	DNO, SUPPLIER, IDNO
Impacted Clause(s)	
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	None
Change Proposal Intent	
<p>This proposal seeks to limit distribution charge volatility year-on-year in circumstances where suppliers would otherwise see very substantial increases in charges (defined as 20%) to mitigate adverse impacts the current arrangements can have on suppliers and their customers. It would do so by requiring DNOs to limit any increases to DUoS tariffs to 20% in any one year, and so provide a means of phasing in significant rises.</p> <p>Two comments on the 20% figure:</p> <ul style="list-style-type: none"> <li>this is not intended to preclude consideration by the working group of a lower figure; and</li> <li>the figure is a cap on increases, and it is not proposed to limit pass-through of any reductions in excess of the threshold.</li> </ul>	
Business Justification and Market Benefits	
<p>For 2012-13 DNOs have set out significant increases in DUoS charges across the range of tariffs. The charges are in many cases higher year-on-year increases than those seen in April 2011, and in some</p>	

cases they are well over 20%. Increases of this size are difficult for suppliers to accommodate, as they may already have established long-term deals with customers or have fixed tariffs. The uncertainty this introduces can be large, and in some instances suppliers are not able to pass-through increases, which creates an uncontrollable risk that can also damage competition in the retail market. This unpredictability and increased risk also creates a barrier to entry for new suppliers.

The exposure can be particularly acute for smaller suppliers as they do not have a diversity benefit of a large customer base.

### **Proposed Solution and Draft Legal Text**

The proposed solution is to modify distribution charging methodologies so that no DUoS charges can increase by more than 20% in any one charging year. Any increase above that level, and provided the residual (plus any increases to be applied in the next year) was below 20%, would be applied in the subsequent year. The proposal would reallocate allowed revenue within year, not create an allowed revenue under-recovery that would be carried over to future years.

This change proposal applies to both the CDCM and EDCM.

The working group is invited to develop the necessary legal text.

### **Proposed Implementation Date**

31 October 2012, in order that the new requirement could be commenced ahead of DNO tariff setting for the charging year 2013-14.

### **Impact on Other Codes**

Please tick the relevant boxes and provide any supporting information.

BSC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input type="checkbox"/>

If other please specify

### **Consideration of Wider Industry Impacts**

The transition to common distribution charging methodologies is creating wide swings between companies applying common methodologies. Increasing volatility makes it more important that suppliers are able to understand and forecast likely use of system charges. A limit on the level of increase of DUoS costs would reduce a very major risk for suppliers and so facilitate competition.

### **Environmental Impact**

None identified

**Confidentiality**

Not required

**PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS**

**DCUSA Objectives**

General Objectives:

Please tick the relevant boxes.

- 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- 2 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
- 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences
- 4 The promotion of efficiency in the implementation and administration of this Agreement

**Rationale for better facilitation of the DCUSA Objectives identified above**

**PART C – MANDATORY FOR CHARGING METHODOLOGIES PROPOSALS**

**DCUSA CDCM Objectives**

Please tick the relevant boxes.

CDCM Objectives:

- 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 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

General Objectives:

- 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- [√]2 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
- 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences
- 4 The promotion of efficiency in the implementation and administration of this Agreement

**Rationale for better facilitation of the DCUSA Objectives identified above**

CDCM Objectives:

The proposal would better facilitate CDCM objective 2 in that it would reduce the volatility of charges in the supply market, which should lead to network users developing more stable pricing strategies and being able to quantify and manage risks arising from changes to regulated charges.

Suppliers and their customers would also face greater stability with respect to future changes in use of system charges and be less exposed to "cost shocks".

Capping the level of charge changes from year to year would mean that other charges will need to be adjusted to absorb the shortfall in DNO allowed revenue for that year. However, the reduction in cost-reflectivity this might bring about is in the proposer's view likely to be small, and would be more than offset in terms of the wider benefits to competition.

General Objectives:

The proposal would facilitate general objective 2 for the same reasons indicated above.

**Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation**

The issue has been discussed periodically at the Energy Supplier Forum, comprising a wide range of independent suppliers.

**PART D – GUIDANCE NOTES FOR COMPLETING THE FORM**

Data Field	Guidance
<b>Attachments</b>	Append any proposed legal text or supporting documentation in order to better support / explain the CP.

<b>Change Proposal Intent</b>	Outline the issue the CP is seeking to address. Please note that the intent of the CP cannot be altered once submitted.
<b>Confidentiality</b>	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem
<b>CP Status</b>	A CP may be deemed „urgent“ in accordance with Clause 10.4.8 of the DCUSA. The proposer should give supporting reasons.
<b>DCUSA General Objectives</b>	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
<b>DCUSA CDCM Objectives</b>	Indicate which of the DCUSA CDCM Objectives will be better facilitated by the Change Proposal. Please note that a CDCM change may also facilitate the DCUSA General objectives.
<b>Draft Legal Text</b>	Insert proposed legal drafting (change marked against any existing DCUSA drafting). The Change Proposal Intent will take precedence in the event of any inconsistency.
<b>Environmental Impact</b>	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see <a href="#">Ofgem Guidance</a> .
<b>Impact of Wider Industry Change</b>	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.
<b>Part 1 / Part 2 Matter</b>	A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.
<b>Proposed Implementation Date</b>	The Change can be implemented in February, June, and November of each year.
<b>Proposed Solution</b>	Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions.
<b>Rationale for DCUSA Objectives</b>	Provide supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
<b>Related Change Proposals</b>	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.