



DCUSA CONSULTATION

DCP 106 - Visibility to DCUSA Parties Regarding Applications to the Authority by DNO's to Change Allowed Revenue

1. PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued in accordance with Clause 11.14 of the DCUSA and seeks industry views on Change Proposal DCP 106 – Visibility to DCUSA Parties Regarding Applications to the Authority by DNO's to Change Allowed Revenue. The Consultation has been issued to DCUSA Parties and Ofgem.
- 1.3 Parties are invited to consider the proposed legal drafting and template attached as Appendix B and to submit comments using the form attached as Appendix C to dcusa@electralink.co.uk by **21 February 2012**.

2. INTENT OF DCP 106 – VISIBILITY TO DCUSA PARTIES REGARDING APPLICATIONS TO THE AUTHORITY BY DNO'S TO CHANGE ALLOWED REVENUE

- 2.1 DCP106 has been proposed by Npower. The CP details the industry changes that have been implemented to improve the transparency of information to Suppliers, especially through the DCP 066A reports. However, the Proposer considers that there should be greater visibility for Suppliers in regard to potential extraordinary changes to allowed revenues which may result in tariff changes. Suppliers do not receive notice of applications by the DNOs to Ofgem to increase/decrease their allowed revenue. These applications to Ofgem, if approved, may result in tariff changes.
- 2.2 If implemented, DCP 106 will require DNOs to provide advance information to DCUSA Parties regarding any application to Ofgem for extraordinary changes to revenue, along with the implementation dates that have been requested.
- 2.3 The CP proposes that DNOs, at the same time as initially contacting the Authority, inform Suppliers that they intend to request a change to revenue. DNO's/IDNOs should provide notice of the reason for the request, the monetary value requested and proposed timescales over which the revenue change will be recovered along with the implementation date they have

requested to incorporate the change of revenue into their tariffs. This will be made known in written form to Suppliers.

- 2.4 The Proposer considers that, if implemented, DCP 106 could be beneficial to both Suppliers and customers. The proposal will assist Suppliers in offering consolidated contracts, as greater visibility of potential revenue changes allows them to reduce the risk premia embedded within their tariffs. This will result in more cost reflective charges, thereby improving competition in the supply market. The proposal will also allow consumers on pass-through contracts to forecast likely changes to their current costs more accurately.
- 2.5 Changes to Suppliers DUoS tariff forecasts as a result of receiving this additional information is at Suppliers' risk. The Proposer feels that the provision of this data will enhance market data transparency, allowing Suppliers to take a more informed view of the risks involved.

3. PROPOSED LEGAL TEXT

- 3.1 The draft legal text is attached as Appendix B. The legal drafting presented as DCP 106, alongside the template being developed for DNOs to submit to Suppliers, will explain the type of information that should be provided, will consist of the following categories:
- A unique DNO specific identifier for the change request
 - Reason for revenue change request
 - Dependency on other requests and their reference numbers, and the nature of the dependency (options or conditional etc)
 - Monetary value requested by the Network Operator to the Authority
 - Implementation date requested by the Network Operator to the Authority
 - Requested timescales over which the revenue change will be implemented and reported, with details of phasing as appropriate
 - Is this already included in published tariffs or the forecast reporting, DCP 066A, and if so, to what extent/phasing
 - Current Status / Additional Information

4. IMPLEMENTATION

- 4.1 The proposer has requested that DCP 106 be implemented as soon as reasonably practical following Authority Consent, as there are no system implications or impacts on Parties processes.

5. CONSULTATION

5.1 Parties are asked to review the drafting attached as Appendix C and in particular to consider the following consultation questions:

- Do you understand the intent of DCP 106?
- Are you supportive of its principles?
- Do you agree that DCP106 better meets the DCUSA General Objectives? Please provide supporting comments along with your assessment against the objectives.
- Do you agree that the legal drafting meets the intent of DCP 106? Please provide supporting comments.
- Are there any alternative solutions that should be considered by the Working Group?
- Are there any items that are currently on the template which should be listed as optional or confidential?
- Are there any reasons that the DNOs should not supply this information to Supplier parties?
- Do you feel that this information is currently available under any existing Licence conditions or other regulatory obligations which the Working Group has not considered?
- Does supplying this information conflict with any existing Licence condition or regulatory obligation?
- Does supplying this information conflict with any company disclosure procedures/guidelines?
- For DNOs: What is the average/expected time period between requesting a change in revenue from Ofgem and when the information is released publicly?
- For Suppliers: Why is receiving this information beneficial to both your organisation and the Industry? Please provide information on how the benefits would affect your organisation, and how current procedures fail to provide adequate information about DNOs expected changes in revenue.
- Do you agree with the proposed implementation date for DCP 106? If not, please provide supporting comments and suggest an alternative.
- Please state any other general comments or views on DCP 106.

5.2 Consultation responses should be submitted to dcusa@electralink.co.uk no later than 21 February 2011. Parties are asked to provide as much relevant detail as possible to enable the Working Group to understand the comments and the reasons behind them.

5.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

6. NEXT STEPS

6.1 Following the Consultation period the responses will be considered by the Working Group in preparation of its final report and recommendation to the DCUSA Panel. The Change Proposal will then be issued to DCUSA Parties for voting.

6.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to dcusa@electralink.co.uk or telephone 020 7432 3014.

APPENDICES

- Appendix A – DCP 106 Change Proposal
- Appendix B – Legal Drafting and Template
- Appendix C – Response form