



DCUSA Change Report

DCP 132 - Improving the Transparency of CDCM Target Revenue

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 132 – Improving the transparency of CDCM target revenue.
- 1.2 The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.3 Parties are invited to consider the proposed legal drafting amendments (Appendix B) and submit their votes using the form attached as Appendix E to dcusa@electralink.co.uk no later than 5 October 2012.

2 BACKGROUND

- 2.1 DCP 132 was raised by British Gas as a result of work undertaken by the DCMF MIG Annual Review Supergroup.
- 2.2 The intent of DCP 132 is to modify the format of Table 1 of Schedule 15 to make it consistent with the way that DNOs calculate their target revenue for the CDCM.
- 2.3 It is also the intent of this change proposal to add a new table into the CDCM model which is consistent in format to the amended Table 1 of Schedule 15 and to change the functionality of the CDCM model in a way that ensures the target revenue for tariff setting is derived from the CDCM target revenue contained in this new table.

3 DCP 132 – WORKING GROUP

- 3.1 The DCUSA Panel established a Working Group to assess and refine DCP 132. The Working Group met on four occasions and was comprised of Suppliers, DNO Parties and Ofgem representation.
- 3.2 Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

4 DCP 132 – CONSULTATION

- 4.1 The Working Group carried out a Consultation to give Parties an opportunity to review and comment on DCP 132. Nine responses were received from Parties and are documented in Appendix C.

- 4.2 The responses to the consultation were supportive of the intent and the principles of DCP 132. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Appendix C.
- 4.3 A summary of the responses received, and the Working Group's conclusions are set out below:

Question 1 - Do you understand the intent of DCP 132?

- 4.4 The Working Group noted that all respondents to the Consultation understood the intent of DCP 132.

Question 2 - Are you supportive of DCP 132's principles?

- 4.5 The Working Group noted that all respondents to the Consultation are supportive of the principles of DCP 132.
- 4.6 One respondent noted that they broadly are supportive of DCP 132's principles, although they have some concerns about the content of the tables, and these were noted later in their response to specific questions.
- 4.7 The Working Group noted that these concerns which were raised are in regard to tables and will be discussed in detail with those specific questions; as this question only related to being supportive of the principles of DCP 132 and not the format or presentation of specific tables.

Questions 3 - Do you agree that DCP 132 better facilitates the DCUSA General Objectives and DCUSA Charging Methodology Objectives as explained by the Working Group? Please provide supporting comments.

- 4.8 The Working Group agreed that DCUSA General Objectives 2 and 3, and Charging Methodology Objectives 1 and 2 were better facilitated by DCP 132.
- 4.9 The following table outlined the respondents' views on which Objectives are facilitated by the CP:

	General Objective	Charging Objective
Objective 1	0	9
Objective 2	9	9
Objective 3	9	0
Objective 4	0	0
Objective 5	0	0

4.10 The Working Group noted that all respondents believed that DCP 132 better facilitated the DCUSA General and Charging Objectives as set out in the Consultation.

Question 4 - Do you have any comments on the proposed legal text?

4.11 The Working Group noted that there were no further comments provided on the DCP 132 legal text by respondents.

Question 5 - Do you feel that Appendix C – Changes to CDCM Model 100 sufficiently explains the changes that will be made to the Model? Please provide supporting comments.

4.12 The Working Group noted that all respondents agreed that the changes to CDCM Model 100 sufficiently explained the changes which will be made to the Model. However, there were a few specific comments which the Working Group discussed which were raised in the responses.

4.13 One respondent highlighted that the only minor thing to note is the header row for the new table in the 'CDCM revenues' sheet should start with the table number to be consistent with the rest of the model (i.e. the header should be '1001 - CDCM target revenue calculations').

4.14 Another respondent noted that it seems to adequately list the changes; however, they noted that the "new DCP 135 table" is referred to twice, and assumed that this should have read "new DCP 132 table".

4.15 The Working Group discussed these points, and noted that they were presentational issues and would be recorded as such. It was explained that when the final model is issued all presentational or formatting issues will be rectified.

Question 6 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.

4.16 The Working Group noted that no respondent provided information about any other developments that would impact upon or be impacted by DCP 132.

4.17 One respondent did note that their comments on this DCP are based upon consideration of its potential impacts on DUoS Tariffs in isolation. The cumulative/net effect of all DCPs currently being considered has not been modelled; therefore making an assessment of the combined impact on DUoS tariffs is difficult. Their opinions in their consultation response were provided on that basis, and they urged that DCPs are progressed with some caution until these cumulative/net impacts can be modelled and assessed for each of the 14 LDSO Areas.

4.18 The Working Group discussed this point and highlighted that that DCP 132 does not affect DUoS tariffs, so there will not be any impacts to mention.

Question 7 - Are you supportive of the proposed implementation date of 1 November 2012 (to allow for the population of indicative charges for 2013/14)?

4.19 The Working Group noted that all respondents were supportive of the implementation date.

Question 8 - Are there any alternative solutions or matters that should be considered by the Working Group?

4.20 The Working Group noted that are no other solutions given by respondents.

4.21 During the course of discussing this question and its responses, the Working Group considered whether there would be any consequential changes needed to the Annual Review Pack (ARP) that results from DCP 132.

4.22 The Working Group agreed that any issue(s) that would arise from this CP, or any other, should be documented and raised with ElectraLink to be made before the ARP is re-issued.

Question 9 - Do you have any other comments regarding DCP 132?

4.23 The Working Group noted that only two of the nine respondents had any further comments, one of which was relating to the ARP and had already been discussed.

4.24 The other comment which was raised by a respondent noted that both the CDCM Revenues table in the CDCM model and revised DCUSA Schedule 15, Clause 35A DNO Revenue table have input fields for Excluded Services (i.e. "Other 1", "Other 2", "Other 3"). The respondent feels that these are not

relevant in calculating the CDCM Target Revenue and so should be removed or a clause introduced specifying that provision of these inputs by the DNO is optional.

4.25 The Working Group felt that although this may not be a relevant field for the respondent, depending upon the treatment, it could be relevant to other DNOs.

4.26 The Working Group agreed that it would be prudent to include a note in the revised Table 1 of Schedule 15 and the new table in the CDCM model which says these fields are only used if DNOs recover these costs through UoS charges.

5 PROPOSED LEGAL TEXT

5.1 The proposed legal drafting of DCP 132 has been considered by the Working Group, and reviewed by Wragge & Co, and is attached as Appendix B.

6 DCP 132 – WORKING GROUP CONCLUSIONS

6.1 The Working Group's conclusion, reflecting Party opinion as presented in the Consultation responses, is that proposed drafting meets the intent of DCP 132 and therefore should be issued for voting and Party determination.

7 EVALUATION AGAINST THE DCUSA OBJECTIVES

7.1 The majority of the Working Group considers that the following DCUSA Objective is better facilitated by DCP 132:

General Objective 2¹ – Better Facilitated. The change proposal better meets general objective two by improving the transparency and predictability of the target revenue in the CDCM. This is achieved in two ways:

- a. By amending Table 1 of Schedule 15 to ensure that the CDCM revenue forecasts contained within it are calculated in a way that is consistent with the way DNOs calculate target revenues when setting tariffs.
- b. By adding a table into the CDCM in a consistent format to that of Table 1 of Schedule 15 which will clearly show the allowed revenue assumptions underlying tariff changes.

¹ 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

General Objective 3² – Better Facilitated. It was explained by the Proposer and agreed by the Working Group that since this issue was raised at the Annual Review meeting of the CDCM, it would therefore better facilitate DCUSA General Objective 3. It would do this by satisfying the Licence obligation on DNOs to review the CDCM and implementing changes which will improve the methodology.

Charging Objective 1³ - Better Facilitated. This issue was raised at the DCMF CDCM Annual Review meeting. Therefore, the CP better meets this objective by satisfying the Licence obligation on DNOs to review the charging methodology and bring about changes to improve the methodology.

Charging Objective 2⁴ - Better Facilitated. The Proposer outlined that this CP better meets Charging Objective 2 by improving the transparency and predictability of the target revenue in the CDCM. This is achieved in two ways:

- a. By amending Table 1 of Schedule 15 to ensure that the CDCM revenue forecasts contained within it are calculated in a way that is consistent with the way DNOs calculate target revenues when setting tariffs.
- b. By adding a table into the CDCM in a consistent format to that of Table 1 of Schedule 15 which will clearly show the allowed revenue assumptions underlying tariff changes.

7.2 The Working Group reached the agreement that DCP 132 better facilitates DCUSA General Objective 2 and 3, and DCUSA Charging Objectives 1 and 2.

8 IMPLEMENTATION

8.1 DCP 132 is classified as a Part 1 matter in accordance with Clause 9.4.2 (B) of the Agreement, and therefore will go to the Authority for determination after the voting process has completed.

8.2 The implementation date, subject to Authority approval, is November 2012.

² The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.

³ 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

⁴ 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)

9 ENGAGEMENT WITH THE AUTHORITY

- 9.1 Ofgem has been fully engaged throughout the development of DCP 132 as a member of the Working Group.

10 PANEL RECOMMENDATION

- 10.1 The Panel approved this Change Report on 19 September 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 132.

- 10.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report issued for voting	21 September 2012
Voting closes	5 October 2012
Change Declaration	9 October 2012
Authority Decision	9 November 2012
CP Implemented	November 2012

11 APPENDICES:

- Appendix A – DCP 132 Change Proposal
- Appendix B – DCP 132 Proposed Legal Drafting
- Appendix C – DCP 132 Consultation Documents
- Appendix D – DCP 132 Consultation Appendices revised per Working Group comments
- Appendix E - DCP 132 Voting Form