



DCUSA Change Report

DCP 134 - IMPLEMENTATION OF NOTICE IN
DCUSA FOR CHANGES TO DISTRIBUTION
TIME-BANDS

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 134 – Implementation of notice in DCUSA for changes to distribution time-bands.
- 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 amendments (Appendix B) and submit their votes using the form attached as Appendix D to dcusa@electralink.co.uk no later than **5 October 2012**.

2 BACKGROUND

- 2.1 DCP 134 has been raised by Npower following on from the work of the Distribution Charging Methodologies Forum (DCMF) Methodologies Issue Group (MIG) Annual Review Supergroup.
- 2.2 The CP seeks to mitigate the risk of price shocks caused by sudden time-band changes by providing a sufficient notice period for any change to Common Distribution Charging Methodology (CDCM) distribution time-bands, other than changes required by another DCUSA change.

3 DCP 134 – WORKING GROUP CONSIDERATIONS

- 3.1 The DCUSA Panel established a Working Group to assess DCP 134. The group comprised of Supplier, Distributor and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 3.2 The Working Group noted that informally DNOs have previously agreed to provide a minimum of 15 months notice of any change to the time-bands. DCP 134 seeks to formalise this agreement in the DCUSA.
- 3.3 The DCP 134 Working Group agreed to issue a consultation to all DCUSA Parties seeking views on the CP.

4 DCP 134 – CONSULTATION

- 4.1 The Working Group reviewed each of the nine responses received to the consultation and concluded that all of the respondents understood the intent of DCP 134.

Are you supportive of the principles of the CP?

- 4.2 All respondents were supportive of the principles of the CP. However, one respondent noted that they do not agree with the mechanism of the proposed solution.

Do you agree with the minimum notice period being set at 15 months? If not, should it be longer or shorter?

- 4.3 All consultation respondents agreed with the proposal to set the minimum notice at 15 months with the exception of one. The Working Group noted that this respondent had proposed an alternative solution later in its consultation response.

Do you consider that the proposal better facilitates the DCUSA Objectives? Please provide supporting information.

- 4.4 The majority of consultation respondents agreed with the Working Group that the CP better facilitates DCUSA General Objective 2, General Objective 3, Charging Objective 1 and Charging Objective 2. The following tables outline the respondents' views on which Objectives are facilitated by the CP:

DCUSA General Objective	Number of Respondents who indicated it was facilitated
Objective #1	0
Objective #2	6
Objective #3	6
Objective #4	0
Objective #5	0

DCUSA Charging Objective	Number of Respondents who indicated it was facilitated
Objective #1	6
Objective #2	8
Objective #3	0
Objective #4	0
Objective #5	0

- 4.5 It was noted that one respondent suggested that the CP does not meet the DCUSA Objectives as it would prevent DNOs from responding to customer behaviour. The Working Group discussed this comment and agreed that DNOs could still respond but in a delayed manner. The Working Group noted that the majority of respondents agreed that the CP would better facilitate the DCUSA Objectives.

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

- 4.6 The group noted that one respondent had proposed an alternative solution. The respondent suggested that time-bands set or revised at indicative tariffs should be the same for finals tariffs and DNOs should by 30 September notify DCUSA Contract Managers of any intention to change time-bands for indicative tariffs.
- 4.7 The Working Group discussed this suggestion and noted that it would not give Suppliers sufficient notice to update the time periods in their contracts with customers. The group noted that this is rare situation and the changes to time-bands are difficult for all Parties.

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.

- 4.8 The Working Group noted that two respondents had highlighted that there are a number of CDCM changes currently going through the DCUSA process.

One respondent noted that they did not believe that any of these changes would have a material impact on DCP 134. The other respondent suggested that DCP 134 is likely to impact DCP 123 'Revenue Matching Methodology Change', as changing the time-bands may have an impact on the amount of revenue reconciliation that is required. The Working Group noted that any change to the CDCM is likely to impact on DCP 123. It also noted that DCP 134 is not seeking to change the time-bands but rather the notice period associated with changing them.

4.9 Another respondent stated that Low Carbon Network Schemes, Demand Side Management Schemes and Active Network Management Schemes will impact on customer behaviour, and therefore potentially affect the demand profile/time-bands. The Working Group noted that these schemes are independent of the time-bands and are not written into the DCUSA.

4.10 The Working Group contacted the respondent seeking further clarity on how the schemes highlighted may impact the time-bands. The respondent explained that the change would restrict responsiveness to areas outside of the EDCM, for example load management schemes. The respondent noted that they expect a greater response to time-band signals going forward and DCP 134 will limit the DNO's ability to keep these signals appropriate. The respondent also noted that striking a balance between cost reflectivity and stability is important, as customers require relatively stable time-bands.

Are you supportive of the proposed implementation date of 1 December 2012?

4.11 The Working Group noted that eight of the nine respondents supported the proposed implementation date of the CP. The other respondent was not supportive of the mechanisms of the proposed solution and was therefore not supportive of the proposed implementation date.

Do you have any comments on the proposed legal text?

4.12 One respondent stated that the legal text should specify how notice of a change to the time-bands should be provided. The Working Group discussed this suggestion and agreed that notice should be provided in the LC14 statement. As the LC14 statement sits outside of the DCUSA, it was agreed that the legal text should refer to the "relevant charging statement".

4.13 A summary of the collated consultation responses and the Working Group's comments to these responses is attached as Appendix C.

5 DCP 134 – WORKING GROUP CONCLUSIONS

- 5.1 The Working Group agreed that introducing a 15 month notice period would help to improve the predictability of CDCM tariffs and reduce the risk of price shocks from sudden time-band changes.
- 5.2 The Working Group concluded that all respondents to the consultation understood the intent of DCP 134 and the majority were supportive of its principles.

6 PROPOSED LEGAL TEXT

- 6.1 The draft legal text has been reviewed by Wragge & Co and is attached as Appendix B.

7 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 7.1 The Working Group considers that the following DCUSA Objectives are better facilitated by DCP 134:
- DCUSA General Objective 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’. The CP will improve the predictability of DUoS tariffs, which will better facilitate effective competition.
 - DCUSA General Objective 3 – ‘The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences’. The proposal was raised at the at the annual review meeting of the CDCM, therefore, the CP satisfies the licence obligation on DNOs to review the charging methodology and bring about changes to improve the methodology.
 - DCUSA Charging Objective 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.’ The proposal was raised at the at the annual review meeting of the CDCM, therefore, the CP satisfies the licence obligation on DNOs to review the charging methodology and bring about changes to improve the methodology.
 - DCUSA Charging Objective 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).’ The CP will improve the predictability of DUoS tariffs, which will better facilitate effective competition.

8 IMPLEMENTATION

- 8.1 Subject to Authority consent, DCP 134 will be implemented on 1 December 2012.

9 PANEL RECOMMENDATION

- 9.1 The DCUSA Panel approved the DCP 134 Change Report at its meeting on 19 September 2012.
- 9.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report issued for voting	20 September 2012
Voting closes	5 October 2012
Change Declaration	9 October 2012
Authority Consent	13 November 2012
CP Implemented	1 December 2012

10 APPENDICES:

- Appendix A – DCP 134 Change Proposal
- Appendix B - Proposed Legal Drafting
- Appendix C – DCP 134 Consultation Documents
- Appendix D - DCP 134 Voting Form