

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 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	DCP 136
Date of submission	13/06/2012
Attachments	Data gathered as part of the CDCM Super Group on the impact of revised inputs
Originator Details	
Company Name	British Gas
Originator Name	George Moran
Category	SUPPLIER
Email Address	george.moran@britishgas.co.uk
Phone Number	07557 611983
Change Proposal Details	
CP Title	Notice period for asset cost changes in the CDCM
Impacted parties	Suppliers, DNOs, IDNOs
Impacted Clause(s)	16.19 and 16.33
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	
Change Proposal Intent	
<p>The intent of this proposal is to improve the predictability of DUoS charges by requiring DNOs to provide sufficient notice (15 months) of any change to the asset related costs contained in tables 1020, 1022 and 1023 of the Common Distribution Charging Methodology (CDCM). These tables contain the costs of the 500MW model and the LV and HV service models. The proposal also intends to improve stability in DUoS charges by restricting any changes to the costs in these tables to a 1 April tariff change.</p>	
Business Justification and Market Benefits	
<p>Suppliers price consumers on 1,2 and 3 year contracts – either with DUoS built into the overall rate that the customer receives on the bill or where DUoS charges are passed through directly onto the customers bill. Changes to the asset costs contained in the CDCM can lead to sudden price shocks, perhaps resulting in windfall gains or losses for suppliers. This also can lead to consumer's being charged on a different basis depending on the type of contract with their supplier.</p> <p>The CDCM 'Super Group' has been reviewing the issue of changes to asset costs in the CDCM and how the predictability of such changes could be improved. The group has decided that the best approach to</p>	

achieving this improved predictability is to provide sufficient advance notice of changes to the costs in these tables whilst maintaining the ability for DNOs to update the costs on an annual basis which will help to maintain the cost reflectivity of tariffs.

We believe that this change can be implemented to take effect from the price change effective 1 April 2013, which will be published as indicative charges towards the end of December 2012.

Proposed Solution and Draft Legal Text

The proposed solution is to amend the CDCM so that the DNO must provide 15 months notice of any change to the costs contained in the current CDCM tables 1020, 1022 and 1023 and to limit any changes to these tables to a 1 April tariff change:

The affected tables in the CDCM model are:

Table 1020: Gross asset cost by network level (£)

Table 1022: LV service model asset cost (£)

Table 1023: HV service model asset cost (£)

We have identified the following sections of Schedule 16 that require changes (changes in red):

Section: Network model asset values

19. The network model consists of a costed design for an increment to the DNO Party's network. **The DNO may only change this costed design on 1 April and must provide a minimum of 15 months notice of any change to this cost. This notice will be provided by the Annual Review Pack published in December of each year.**

Section: Service model asset values

33. For each service model, the DNO Party estimates the number and types of connections that the model covers, and a total construction cost for the assets in the model. **The DNO may only change the construction cost of any service model on 1 April and must provide a minimum of 15 months notice of any change to this cost. This notice will be provided by the Annual Review Pack published in December of each year.**

Proposed Implementation Date

1 November 2012 (to allow for population of the Annual Review Pack that will accompany indicative charges for 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 checked="" type="checkbox"/>

If other please specify

Consideration of Wider Industry Impacts
Environmental Impact
Confidentiality

PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Objectives
<p><u>General Objectives:</u></p> <p>Please tick the relevant boxes.</p> <p><input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks</p> <p><input type="checkbox"/> 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</p> <p><input type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences</p> <p><input type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of this Agreement</p> <p><input type="checkbox"/> 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.</p>
Rationale for better facilitation of the DCUSA Objectives identified above

PART C – MANDATORY FOR CHARGING METHODOLOGIES PROPOSALS

DCUSA CDCM Objectives
<p>Please tick the relevant boxes.</p> <p><u>CDCM Objectives:</u></p> <p><input checked="" type="checkbox"/> 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</p> <p><input checked="" type="checkbox"/> 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)</p>

- ☐ 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 paragraphs 13A.6A to 13A.9, the CDCM, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business
- ☐ 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

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
- ☐ 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

Rationale for better facilitation of the DCUSA Objectives identified above

CDCM Objectives:

1. This issue was raised at the annual review meeting of the CDCM. Therefore the change proposal better meets CDCM objective one by satisfying the licence obligation on DNOs to review the charging methodology and bring about changes to improve the methodology.
2. The change proposal better meets CDCM objective two by improving the predictability of important inputs to the CDCM and therefore improving the predictability of DUoS tariffs.

General Objectives:

1. The change proposal better meets general objective two by improving the predictability of important inputs to the CDCM and therefore improving the predictability of DUoS tariffs.
2. This issue was raised at the annual review meeting of the CDCM. Therefore the change proposal better meets general objective three by satisfying the licence obligation on DNOs to review the charging methodology and bring about changes to improve the methodology.

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

This issue has been discussed and this CP drafted as part of the CDCM 'Super Group'.

The super group initially considered fixing the asset costs in tables 1020, 1022 and 1023 in real terms for a period of time and only uplifting the costs by inflation during this fixed period but decided this approach was less appropriate because:

- It would lead to an increased price shock at the end of each fixed period, and
- Analysis of tariffs calculated on this basis showed that there could be a large divergence from the tariffs calculated under the current CDCM suggesting that simply inflating by inflation may

not be sufficient to maintain an acceptable degree of cost reflectivity.

The group agreed that maintaining the ability to update asset model costs annually would better maintain cost reflectivity but introducing a 15 month notice period of any change to the asset model costs would provide the desired predictability of these important CDCM inputs.

PART D – GUIDANCE NOTES FOR COMPLETING THE FORM

Data Field	Guidance
Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
Change Proposal Intent	Outline the issue the CP is seeking to address. Please note that the intent of the CP cannot be altered once submitted.
Confidentiality	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
CP Status	A CP may be deemed 'urgent' in accordance with Clause 10.4.8 of the DCUSA. The proposer should give supporting reasons.
DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
DCUSA CDCM Objectives	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.
Draft Legal Text	Insert proposed legal drafting (change marked against any existing DCUSA drafting). The Change Proposal Intent will take precedence in the event of any inconsistency.
Environmental Impact	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 Ofgem Guidance .
Impact of Wider Industry Change	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.
Part 1 / Part 2 Matter	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.
Proposed Implementation Date	The Change can be implemented in February, June, and November of each year.
Proposed Solution	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.

Rationale for DCUSA Objectives	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.
Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.