



## **DCUSA Change Report**

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DCP 129 – Bringing the CDCM Price Control Disaggregation (Method M) Under the DCUSA Open Governance Framework

## **1 PURPOSE**

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 129 – Bringing the CDCM Price Control Disaggregation (Method M) Under the DCUSA Open Governance Framework.
- 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](mailto:dcusa@electralink.co.uk) no later than 8 March 2013.

## **2 BACKGROUND**

- 2.1 DCP 129 has been raised by GTC (for and behalf of the Electricity Network Company Limited). This change proposal is raised as a result of work discussed at the DCMF Methodologies Issues Group (MIG).
- 2.2 The Proposer explains that discount factors used to determine tariffs to LDNOs where their networks connect to DNOs at the CDCM network tiers are calculated using the Price Control Disaggregation Model Excel workbook (also described as the Method M).
- 2.3 The intent of DCP 129 is, for each LDNO with a distribution services area, to bring the Method M Excel work book under the governance framework of DCUSA.

## **3 DCP 129 – WORKING GROUP**

- 3.1 The DCUSA Panel established a Working Group to assess and refine DCP 129. The Working Group was comprised of DNO and IDNO Parties as well as Ofgem representation.
- 3.2 The Working Group met on six occasions and all meetings were held in open session; the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).

## **4 DCP 129 – REQUEST FOR INFORMATION**

- 4.1 The Working Group carried out three Requests for Information (RFI) to the

Distribution Network Operators (DNOs) in order to analyse and progress DCP 129. The first RFI was to gather all the different Method M workbooks from the DNOs.

- 4.2 This RFI was to give the Working Group the opportunity to identify how many working versions of the Method M model were currently in use throughout the industry, and to have a starting point of finding a common model that produces the same results as the existing models.
- 4.3 The second and third RFIs contained iterations of the Method M that were working toward a common version which all DNOs could populate and have the same results returned as their existing models.
- 4.4 After the third RFI, the Working Group addressed the differences with the DNO's models in order to produce a common version. The DNOs confirmed the common version returned the same results as their current version, and an agreed common template for the Method M was produced.
- 4.5 A summary of the responses to the RFIs, and the common Method M workbook is attached as Appendix C and Appendix D respectively.

## **5 DCP 129 CONSULTATION**

- 5.1 The Working Group agreed, along with the Ofgem representative, that a consultation would not need to be undertaken for DCP 129. The reasoning behind this is that the only question for Parties to answer would be whether or not they agree that the Method M workbook should be brought into the open governance arrangements of the DCUSA.
- 5.2 The Working Group, along with the Ofgem representative, felt that there was sufficient industry participation in developing the common version of the Method M to allow Parties to have commented within the RFI documents.

## **6 PROPOSED LEGAL TEXT**

- 6.1 The proposed legal drafting of DCP 129 has been considered by the Working Group, and reviewed by the DCUSA legal advisor, and is attached as Appendix B.

## **7 DCP 129 – WORKING GROUP CONCLUSIONS**

7.1 The Working Group's conclusion, reflecting Party opinion as presented in the RFI responses is that the proposed drafting meets the intent of DCP 129 and therefore should be issued for Party voting and Authority determination.

## **8 EVALUATION AGAINST THE DCUSA OBJECTIVES**

8.1 The Working Group considers that the following DCUSA General and Charging Objectives are better facilitated by DCP 129 'Bringing the CDCM Price Control Disaggregation (Method M) Under the DCUSA Open Governance Framework':

**General Objective 1** – Better Facilitated. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, coordinated, and economical Distribution Networks

**General Objective 2** – Better Facilitated. 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 3** – Better Facilitated. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.

**Charging Methodology Objective 1** – Better Facilitated. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.

**Charging Methodology Objective 2** – Better Facilitated. 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)

**Charging Methodology Objective 3** – Better Facilitated. 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

- 8.2 The Method M model is a constituent part of the CDCM Methodology, and by bringing the Method M model into the DCUSA open governance means that governance arrangements for the workbook are consistent with those in place for the rest of the CDCM.
- 8.3 The Working Group agrees that bringing the Method M under DCUSA governance will improve the transparency of the methodology and the efficiency of managing future change proposals.

## 9 IMPLEMENTATION

- 9.1 DCP 129 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.

9.2 The implementation date is the first release following Authority consent.

## 10 ENGAGEMENT WITH THE AUTHORITY

- 10.1 Ofgem has been fully engaged throughout the development of DCP 129 as a member of the Working Group.

## 11 PANEL RECOMMENDATION

- 11.1 The DCUSA Panel approved this Change Report on 20 February 2013 and 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 129.

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

| <b>Activity</b>                 | <b>Date</b>                               |
|---------------------------------|---|
| Change Report issued for voting | 22 February 2013                          |
| Voting closes                   | 8 March 2013                              |
| Change Declaration              | 12 March 2013                             |
| Authority Decision              | 18 April 2013                             |
| CP Implemented                  | First release following Authority consent |

## **12 APPENDICES:**

- Appendix A – DCP 129 Change Proposal
- Appendix B – DCP 129 Proposed Legal Drafting
- Appendix C – DCP 129 RFI Documents
- Appendix D – DCP 129 Common template of the Method M
- Appendix E – DCP 129 Voting Form