

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 / Urgent
CP Number	DCP 185
Date of submission	19/07/2013
Attachments	[See Guidance Note 1]
Originator Details	
Company Name	South Eastern Power Networks
Originator Name	Chris Ong
Category	DG / DNO / IDNO / OTSO / SUPPLIER / OTHER
Email Address	Chris.ong@ukpowernetworks.co.uk
Phone Number	01293 657937
Change Proposal Details	
CP Title	LDNO discount on 20% of residual revenue
Impacted parties	LDNO, DNOs, Suppliers
Impacted Clause(s)	schedules 17 and 18
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	
Change Proposal Intent	
<p>To make changes to schedules 17 and 18 of DCUSA for the calculation of location specific charges for LDNOs which have EDCM equivalent end customers connected to their network, and apply any discount on an equal basis between the DNO and LDNO.</p> <p>The proposal is to apply a percentage discount to the 20 per cent of residual revenue for demand customers, where those customers are LDNO EDCM equivalent end customers.</p>	
Business Justification and Market Benefits	
<p>Prior to the introduction of the EDCM, Ofgem identified a numbers of areas which they believed required closer consideration and possibly discussion under the open governance arrangements. One of these areas was in relation to the calculation of location specific charges for LDNOs which have EDCM equivalent end customers connected to their network.</p> <p>Under the EDCM, the components of the LDNO charge are calculated with reference either to the assets used by the LDNO end customer on the DNO's network, or to the "boundary equivalent" capacity declared by the LDNO for the customer.</p> <p>This issue relates to the calculation of location specific charges for LDNOs that have EDCM</p>	

equivalent end customers connected to their network. Where the LDNO has declared a "boundary equivalent" capacity for their EDCM customer, the LDNO pays the DNO the full EDCM charge, less a 50 per cent discount on the allocated indirect costs.

This 50 per cent discount is intended to reflect that LDNOs will have indirect costs of their own and could potentially displace some of the DNO's indirect costs. Similar logic could be applied to other capacity-based charges, which are costs that could be incurred by the LDNO in servicing their customer. In the case of demand, this would apply to the 20 per cent of residual revenue for demand customers.

Where the charge components are based on the assets used, the LDNO will only be liable in relation to assets on the DNO network. This means that, the LDNO will not pay any asset based charges in relation to the assets it provides. Where the charge components are based on boundary equivalent network capacity the LDNO will be liable for the full charge, except in the case of the indirect costs charge where the LDNO will receive a 50 per cent discount. The 50 per cent discount is intended to reflect the fact that LDNOs will have to cover indirect costs of their own and ultimately could potentially displace some of the DNO indirect costs.

It is believed to be appropriate that the LDNO does not pay any charges that are associated with the assets that it provides, as a result it is believed to be appropriate that LDNOs receive a discount from the indirect costs charge, as the charge to the LDNO should consider an appropriate, cost-reflective, allocation of all DNO costs to network activities both upstream and downstream of the point of connection.

During previous discussions it has been identified that there were practical difficulties in applying this discount in the case of negative scaling, i.e. where the residual revenue is negative and customers' charges are scaled down. This would result in a negative discount to the LDNO, meaning the charge would be increased rather than discounted.

Proposed Solution and Draft Legal Text

The solution and legal text are to be developed by the working group.

Proposed Implementation Date

April 2015

Impact on Other Codes

Please tick the relevant boxes and provide any supporting information.

- BSC
- CUSC
- Grid Code
- MRA
- Other
- None

If other please specify

Consideration of Wider Industry Impacts
N/A
Environmental Impact
N/A
Confidentiality

PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Objectives
<p><u>General Objectives:</u></p> <p>Please tick the relevant boxes. [See Guidance Note 9]</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
[See Guidance Note 10]

PART C – MANDATORY FOR CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Charging Objectives

Please tick the relevant boxes. [See Guidance Note 11]

Charging Objectives:

- 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
- 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)
- 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 Clauses 3.2.1 to 3.2.3, the Charging Methodologies, 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

Charging Objectives and General Objectives:

This change proposal ensures that the allocation of costs is more reflective of the costs incurred by the respective business (DNO and LDNO) as a result will ensure that parties comply with the obligations specified under their respective licences whilst also not restricting competition. As a result this improves Charging Objective 1, 2 and 3 along with General Objective 1 and 3

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

This issue has previously been discussed at the Methodology Issues Group (MIG).

PART D – GUIDANCE NOTES FOR COMPLETING THE FORM

Guidelines for Working Group Members and Working Group Terms of Reference are available on the DCUSA Website and provide more information about the progression of the Change Process. www.dcusa.co.uk

Ref	Data Field	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	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.
3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.
4	Proposed Solution and Draft Legal Text	<p>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. The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting).</p>
5	Proposed Implementation Date	The Change can be implemented in February, June, and November of each year.
6	Consideration of Wider Industry Impacts	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.
7	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 .
8	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
9	DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
10	Rationale for DCUSA	Provide supporting reasons and information (including any

	Objectives	initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.