

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP198 – Align the PCDM Model with the legal text		
	DCP212 – Align the Extended PCDM Model with the legal text		
Decision:	The Authority ¹ directs these modifications ² be made ³		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	23 February 2015	Implementation date:	Next DCUSA release

Background

The distribution network operators (DNOs) operate 14 distribution service areas (DSAs). Smaller networks owned by independent distribution network operators (IDNOs) can also operate in these DSAs and provide competition for some of the distribution network activities. The charges the IDNOs pay the DNOs are discounted to reflect the fact that they provide the 'last mile' of the distribution network. The discount factors are calculated in the PCDM⁴ for customers connected at high and low voltages and the Extended PCDM for customers connected at extra high voltage.

The charging methodologies are set out in DCUSA and supported by spreadsheet models (Excel workbooks) that calculate charges. On 25 April 2013, we approved DCP128⁵ and DCP129⁶, which brought the PCDM and Extended PCDM under the DCUSA governance framework. This means that all DNOs have to use the same version of the models. The aim is improve the efficiency of managing changes to the models and reduce the risk of errors occurring.

The industry identified that there are inconsistencies between the legal text in DCUSA and both the current PCDM and Extended PCDM.

The modification proposals

DCP198 was raised by UK Power Networks (UKPN) and seeks to align the legal text in Schedule 16 of DCUSA and the PCDM. Because the legal text was not updated as part of DCP129, the working group was not surprised that there were differences between it and the model. Although the general principle is that the models should reflect the legal text, the working group considered that, in this instance, updating the legal text or the model were both possible solutions.

As part of a consultation issued on 7 February 2014, the working group sought industry views on whether the legal text or the PCDM should be updated. The majority of respondents supported updating the legal text to reflect the PCDM. The working group agreed that this was the way forward.

The working group identified that there were also inconsistencies between the legal text in Schedules 17 and 18 of DCUSA and the Extended PCDM. UKPN raised DCP212 to

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

⁴ Price Control Disaggregation Model

⁵ 'Bringing the EDCM Price Control Disaggregation Model (Extended Method M) Excel Workbook Under the DCUSA Open Governance Framework'

⁶ 'Bringing the CDCM Price Control Disaggregation Model (Method M) Excel Workbook Under the DCUSA Open Governance Framework'

address this. The working group agreed that the approach adopted for DCP198 should also apply here and the legal text would be updated to reflect the Extended PCDM.

DCUSA Parties' recommendation

The Change Declarations for DCP198 and DCP212 indicate that all parties were eligible to vote on the proposals. In each party category where votes were cast (no votes were cast in the DG⁷ or gas supplier⁸ party categories), there was unanimous support for the proposals and for their proposed implementation dates. In accordance with the weighted vote procedure, the recommendation to us is that DCP198 and DCP212 are accepted. The outcomes of the weighted votes are set out in the tables below:

DCP198	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO ⁹		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	100	0	100	0	n/a	n/a

DCP212	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	100	0	100	0	n/a	n/a

Our decision

We have considered the issues raised by the proposals and the Change Declarations and Change Reports dated 20 January 2015. We have considered and taken into account the vote of the DCUSA Parties on the proposals which are attached to the Change Declarations. We have concluded that implementation of the modification proposals will better facilitate the achievement of the DCUSA Charging Objectives.¹⁰

Reasons for our decision

We consider DCP189 and DCP212 will better facilitate DCUSA Charging Objective 3.2.1 and have a neutral impact on the other relevant objectives.

DCUSA Charging Objective 3.2.1 – 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

We agree with respondents that the proposals meet this charging objective better. Standard Licence Condition 13.1 requires licencees to comply with the use of system charging methodology. Revising the charging methodology legal text to reflect the operation of the PCDM and Extended PCDM will help to ensure that DNOs and IDNOs are charging in a manner that complies with the use of system charging methodology.

⁷ Distributed Generation

⁸ There are currently no gas supplier parties.

⁹ Independent Distribution Network Operator/Offshore Transmission System Operator

¹⁰ The DCUSA Charging Objectives (Relevant Objectives) are set out in Standard Licence Condition 22A Part B of the Electricity Distribution Licence and are also set out in Clause 3.2 of the DCUSA.

DCUSA Charging Objective 3.2.3 – 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

The working group also considered that these proposals met this charging objective better. However, we agree with one of the consultation respondents that DCP198 and DCP212 are neutral with regards to this objective, as they will not have any impact on charges.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposals DCP198: *Align the PCDM Model with the Legal Text* and DCP212: *'Align the Extended PCDM Model with the Legal Text'* be made.

Andrew Burgess

Associate Partner – Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose