

DCUSA DCP 206 Consultation Responses – Collated Comments

Company	Confidential?	Question One - Do you agree with the intent of DCP 206?	Working Group Response
			The Working Group noted that majority of respondents either did not agree with the intent, or felt that the CP should be included within the DCMF MIG EDCM Review Group.
SSE Supply	Non-Confidential	Yes	
Western Power Distribution	Non-Confidential	Yes and No. WPD believes that on the one hand the current methodology may lead to customer's charges being determined by other customer's behaviour. But on the other hand to remove it entirely would remove incentives on very large customers to manage their load during the peak periods. It would be beneficial if the method could retain a charge in the super red period.	The Working Group reviewed and noted the contents of this response.
ENWL	Non-Confidential	Although we understand that there is a good case for overhauling and simplifying the EDCM, we believe that the removal of a fundamental building block of the methodology should only be considered as part of a wider review of the whole methodology, rather than be considered in isolation as under this Change Proposal.	The ENWL representative confirmed that in regard to DCP 206 specifically they do not support the intent; however, they are supportive of a wider EDCM review.
Northern Powergrid	Non-Confidential	Whilst we understand the intent and agree that customers should be subject to fair charges, we are not comfortable with the redistribution of these costs during the first year to other customers.	The Working Group noted that Northern Powergrid does not agree with the intent.
Reckon LLP	Non-Confidential	Yes, in principle, but subject to my answer to question 3.	
SP Distribution	Non-Confidential	Whilst we do not disagree with the intent of this change proposal, it does impact a key charging principle introduced as part of EDCM. We therefore believe this change should be considered as part of the wider review of EDCM due to	The Working Group notes that from this response that SP Distribution feels that this CP is premature and that it should be included within the wider review of the EDCM.

		commence shortly.	
SSE Power Distribution	Non-Confidential	No	
UK Power Networks	Non-Confidential	No, please see our response to Q8 for more detail.	
University of Bath	Non-Confidential	No, we do not agree with the intent of DCP 206 to remove locational charges from EDCM for demand and to keep the use of system credits for generators. This would be an asymmetrical charging arrangement that would encourage economic inefficiency by treating generation and demand differently.	<p>The Working Group noted that the intent of the change is to introduce this difference. The Working Group discussed the reasons why this should or should not be kept symmetrical.</p> <p>One member of the Working Group felt that this argument was not valid; whilst other members did not agree and felt they should be treated symmetrically.</p>
Company	Confidential?	Question Two - Do you agree with the principles of DCP 206?	
SSE Supply	Non-Confidential	Yes. The CP presents a well-argued case for the removal of Charge 1.	
Western Power Distribution	Non-Confidential	See answer to 1.	
ENWL	Non-Confidential	We are not convinced that simply removing Charge 1 from the pricing methodology for demand will leave an overall pricing structure that hangs together in its own right and, more importantly, better meet the charging principles.	The Working Group noted the comments within the response.
Northern Powergrid	Non-Confidential	No, we do not agree that a customer should be “protected” from changes in the network configuration that affect modelled investment needs. We also do not agree that it is prudent to remove signals that are intended to drive demand away from congested areas of the network.	<p>The Working Group notes that Northern Powergrid disagrees with the principles of DCP 206.</p> <p>It was noted that NPG considered that customers should make a contribution toward future network</p>

		It is difficult to agree with the principles of this change as the methodology was always intended to include the forecast of future investments in the networks to address the growth of demand. If this element of the charge is removed there is a need to develop an alternative approach to demonstrate the locational impact on customers connecting to the networks.	reinforcement as is the current EDCM methodology.
Reckon LLP	Non-Confidential	Yes, in principle, but subject to my answers to question 3 and 5.	
SP Distribution	Non-Confidential	Yes, however the working group has not considered an alternative approach as part of the change. The costs are simply moved to be allocated by scaling. This should be further reviewed.	
SSE Power Distribution	Non-Confidential	No - The DNOs are obligated, under their licence, to introduce a charging methodology that included a charge component to reflect forward looking costs of reinforcing the electricity distribution network. Ofgem believed this approach would prevent inefficient capital expenditure by the DNOs and provide locational cost signals to customers. DCP206 would remove this Ofgem objective. Removal of charge 1 would achieve consistency with generation charges which has no equivalent charge component. It would also simplify charges.	The Working Group noted that the obligations are no longer valid. The Working Group noted that they also explained a benefit of DCP 206.
UK Power Networks	Non-Confidential	No as we do not support the changes to the methodology which DCP206 is looking to make.	
University of Bath	Non-Confidential	No, DCP206 represents an inward-looking pricing principle for the use of distribution networks. It focuses on assessing how much existing assets cost to serve existing customers, leaving DNOs to consider network reinforcement only through asset investment. DCP 206 does not provide forward-looking locational pricing signals for network users that should assist network owners in minimising network investment costs to the benefit of end customers.	The Working Group felt that this respondent agrees with the existing principles of Charge 1 within the EDCM methodology and does not support DCP 206.
Company	Confidential?	Question Three - Do you have any comments on the	

		proposed solution?	
SSE Supply	Non-Confidential	No	
Western Power Distribution	Non-Confidential	See answer to 1.	
ENWL	Non-Confidential	<p>We agree that using a forward looking methodology for EDCM could result in some customers paying for reinforcement that relates to potential customers that might never materialise. Under these circumstances, this element of the charge could be perceived as unjustified.</p> <p>A wider review is needed in order to consider how the methodology will continue to meet DCUSA Charging Objective 3, to reflect the costs incurred, or reasonably expected to be incurred by the DNO, and Objective 4, to properly take account of developments in each DNO Party's Distribution Business.</p> <p>We are concerned that this CP will result in the removal of unit rate charges for EDCM customers. Historically, EHV customer charges have been based on capacity as they tend to be large and their capacity often drives the local network, regardless of when the consumption occurs. However, the boundary decision between the CDCM and EDCM brought HVS customers into the EDCM. The HVS customers have traditionally had unit rates applied as part of their tariff. These customers also tend to be smaller than other EHV customers and are connected further down the network, so the time of their unit consumption is important as it could affect reinforcement further up the network.</p> <p>We would not like to see the unit charge removed, even if it is</p>	The Working Group noted that ENWL sees some merits in DCP 206, but object to the removal of the super-red unit rate.

		reinstated later, as this lack of continuity would be extremely difficult for our customers, particularly given the recent volatility in charges from the implementation of EDCM. In any review of the overall methodology it would be more appropriate for the cost allocation and the appropriate tariff structure to be considered at the same time.	
Northern Powergrid	Non-Confidential	We do not think the proposed solution is effective without considering an alternative unfortunately this DCP does not propose any alternative to locational charging. We do note paragraph 5.2 refers to a future change proposal that would identify a replacement for FCP and/or LRIC which would be charged in a similar manner. We would prefer that any changes to the EDCM were not addressed piecemeal but as part of the wider EDCM review.	The Working Group noted that NPG would prefer to have this CP included within the wider EDCM review. It was also agreed that it was suggested within the response that piecemeal responses could lead to volatility.
Reckon LLP	Non-Confidential	<p>The consultation does not provide enough information to answer this question.</p> <p>The main issue is that I do not know whether DCP 206 would drive the fixed adder and asset scaler elements up to levels that exceed what would reasonably cover depreciation and return on capital. If not, then the proposed solution is acceptable and is a clear improvement on the existing EDCM. If the fixed adder or asset scaler elements are driven to unreasonably high levels by DCP 206, then the proposed solution needs to be complemented with a revision to the EDCM demand pot calculation or a change in the approach to demand scaling.</p>	The Working Group noted that the respondent thought that an alternative change may be required, but did not have enough information to determine whether this was necessary.
SP Distribution	Non-Confidential	The working group has only considered the removal of the charge, which has the impact of increasing costs allocated by scaling. The allocation of costs should be further considered by the wider EDCM review.	The Working Group noted the comments within the response.
SSE Power Distribution	Non-Confidential	Whilst Ofgem's current objectives remain unchanged, alternative solutions to improve cost reflectivity of EDCM should be explored.	The Working Group noted that the points raised within this response have been addressed elsewhere.

		<p>Removal of the super red unit rate (consequence of removing Charge 1) eliminates a strong price signal to customers to avoid usage at peak time. Large HV and LV business customers, subject to the CDCM, have time of day (Red, Amber, Green) unit rates which incentivise avoiding peak time usage. A separate DCP to retain unit rates in EDCM may pose difficulties and is a risk.</p> <p>We do support changes to the charging methodology that would improve cost reflectivity, fairness in charges and minimise year on year charges volatility.</p>	
UK Power Networks	Non-Confidential	<p>We believe that this solution, which would remove the unit rate charge, is detrimental to the 'peak time' cost signal component of the methodology.</p> <p>We are not convinced that there is a 'defect' in providing a price signal allocation of charges that is based on reflecting future hypothetical investments to meet the growth (or decline) in demand caused by users.</p>	<p>The Working Group questioned how much of the peak time cost signal would be removed as the peak time signals would still be part of DCP 206.</p> <p>The Working Group does not know the effects of the removal of the unit rates, but it was noted that the visibility would be removed.</p> <p>The Working Group noted that UKPN agrees with the current EDCM methodology, and does not agree with the removal of one element of this; one working group member felt that in their opinion that this could imply that they agree with charging one customer for future reinforcement that may be of no benefit to them – the majority of the Working Group did not agree with the opinion of this Working Group member.</p>
University of Bath	Non-Confidential	<p>The charging framework implemented pursuant to Ofgem's May 2011 consultation introduced a three part charge in the EDCM. The cost reflectivity principle in the Licence is effectively delivered by the signal for investment efficiency in Charge 1, and</p>	<p>Paragraph 1 – The Working Group considers that this response agrees with the current EDCM methodology.</p> <p>The Working Group noted that University of Bath</p>

		<p>the revelation of the economic drivers of Charge 2 in the chosen allocation methodology. Deleting Charge 1, or even setting it to zero, must therefore be a retrograde step in pursuing the charging principles enshrined in the Licence. If there are shortcomings in the manner in which the LRIC or FCP methodologies calculate Charge 1, then it is these that should be addressed rather than simply abandoning Charge 1 altogether.</p> <p>The key merit of the LRIC or FCP charging methodologies is their ability to reflect the future network investment cost from a relatively simple input matrix of load growth and network spare capacity. This enables the future costs of network reinforcement to accumulate gradually rather than presenting network users with a price shock when the need for network reinforcement does materialise.</p>	would prefer to have this CP included within the wider EDCM review. It was also agreed that it was suggested within the response that piecemeal responses could lead to volatility.
Company	Confidential?	Question Four - Do you have any comments on the proposed legal drafting?	
			The Working Group noted that the majority of respondents did not have any further comments on the proposed legal drafting.
SSE Supply	Non-Confidential	No	
Western Power Distribution	Non-Confidential	No	
ENWL	Non-Confidential	We have reviewed the proposed legal text and do not have any comments.	
Northern Powergrid	Non-Confidential	Not at this time	
Reckon LLP	Non-Confidential	No	

SP Distribution	Non-Confidential	None	
SSE Power Distribution	Non-Confidential	No	
UK Power Networks	Non-Confidential	We do not agree with the proposal taken by the WG to leave the numerous references to charge 1 which exist throughout DCUSA schedules 17 & 18 following this proposal to remove locational charging. We believe that if charge 1 (or in fact any element of the methodology) is removed, then references throughout should also be removed.	The Working Group noted the comments within this response.
University of Bath	Non-Confidential	We do not believe the proposed legal drafting would satisfactorily address the shortcomings that are perceived with Charge 1. Indeed it would appear to be counterproductive in better meeting the charging objectives.	The Working Group felt that this was in reference to the solution and not the legal drafting.
Company	Confidential?	Question Five - Would you prefer the implementation date to be 1 April 2015 or 1 April 2016?	
			The overall majority of the responses preferred an April 2016 implementation date
SSE Supply	Non-Confidential	No clear preference	
Western Power Distribution	Non-Confidential	1 April 2016 to provide sufficient notice to suppliers and end customers.	
ENWL	Non-Confidential	Although we do not support this proposal, we would prefer an implementation date of April 2016, to enable a separate change proposal to be brought forward to re-establish unit rates.	
Northern Powergrid	Non-Confidential	We would prefer 1 April 2016 to allow all EDCM customers to be notified providing a reasonable period for them to understand the significant movement in charges that they would expect to see due to the implementation of this CP.	
Reckon LLP	Non-Confidential	The consultation does not provide enough information to answer this question.	The respondent felt that a delay to 2016 or 2017 in order for an alternative to be developed, but felt

		<p>I do not think that there is a need for a long notice period in respect of price reductions. The only issue is about the impact of the increase in the fixed adder and asset scaler elements of the charges.</p> <p>If, after DCP 206 implementation, the fixed adder and asset scaler elements are at or below what would reasonably cover depreciation and return on capital, then the implementation date should be 1 April 2015. In this case, I think that the undue benefit that some customers are currently receiving as a result of the application of charge 1 can be terminated with only a few months notice.</p> <p>If DCP 206 implementation would drive the fixed adder and asset scaler elements up to levels that are above what would reasonably cover depreciation and return on capital, then the implementation date should be 1 April 2016 or preferably 1 April 2017. This would give time to the affected DNOs to develop a revised EDCM demand pot calculation method to eliminate the excessive fixed adder and asset scaler charges ahead of DCP 206 implementation, or to make other changes to the EDCM to address the problem. (This delay would presumably not preclude any customers that are suffering unjustified charge 1 costs from seeking a direct remedy from the DNO.)</p> <p>If the situation is significantly different in different DNO areas, then different approaches to implementation should be adopted. The FCP/LRIC situation is a precedent for using different EDCM methodologies in different DNO areas, and in this case the differences would be merely transitory.</p>	there was not enough information currently to determine this.
SP Distribution	Non- Confidential	We believe this should be part of the proposed wider EDCM review, which would dictate the appropriate implementation	

		timetable.	
SSE Power Distribution	Non-Confidential	Our preferred implementation date is 1 April 2016, which provides a longer notice period to affected customers.	
UK Power Networks	Non-Confidential	We believe that because of the potential impact of the changes proposed (and in line with other DCUSA changes) sufficient notice should be given for changes of this nature. As a result we believe that April 2016 is the appropriate implementation date to be taken forward.	
University of Bath	Non-Confidential	Neither. This is not an appropriate change proposal. The industry would be better advised to address the issues associated with Charge 1 than simply deleting the charge.	
Company	Confidential?	Question Six - Are you aware of any wider industry developments that may impact upon or be impacted by this change proposal? If so, please give details.	
SSE Supply	Non-Confidential	No	
Western Power Distribution	Non-Confidential	No	
ENWL	Non-Confidential	No	
Northern Powergrid	Non-Confidential	<p>It is our opinion that the EDCM review – for which the ToR are currently being finalised and the first meeting being scheduled for the 29th July – would be the appropriate platform where all aspects of the EDCM could be reviewed concurrently.</p> <p>One of the drawbacks of developing singular changes is that the full impact of all changes cannot be drawn out; we feel that the EDCM review could potentially draw out these differences and look to propose a change that would address the removal of charge 1 and identify an alternative locational signal.</p>	The Working Group reviewed and noted the comments contained within this response.
Reckon LLP	Non-	No	

	Confidential		
SP Distribution	Non-Confidential	The wider EDCM review intends to look at issues with the current EDCM methodology; this may impact on an enduring solution.	
SSE Power Distribution	Non-Confidential	A number of EDCM related DCUSA change proposals are in progress. Further, issues have also been raised at the DCMF & MIG. The outputs from these groups may impact on DCP206.	The Working Group noted that this issue could be considered once Ofgem consults on the issue.
UK Power Networks	Non-Confidential	If the implementation date of this change was decided to be April 2016, then consideration should be given to the interaction with DCP178 were that to be approved, as the current proposal under DCP178 would require the April 2016 charges to be finalised in December 2014.	
University of Bath	Non-Confidential	(blank)	
Company	Confidential?	Question Seven - Has the Working Group correctly identified the benefits and drawbacks of DCP 206? If not, please explain how the analysis should be improved.	
SSE Supply	Non-Confidential	Yes, however one must be careful that no customers are unduly disadvantaged by the modified charges.	The Working Group noted the response
Western Power Distribution	Non-Confidential	Yes	
ENWL	Non-Confidential	Under this CP future reinforcement costs will be recovered through scaling. However, allocating more of these costs to nodes which are close to reinforcement provides a price signal that discourages future demand growth in these areas and allows for lower reinforcement costs to the benefit of all customers. We are concerned that this CP may address an issue for some individual customers, but changes a fundamental principle for the majority of customers without sufficient consideration of alternatives.	<p>The Working Group did not consider that discouraging future demand growth is a drawback, so was unable to provide any response to the comment.</p> <p>The ENWL representative explained that within their response, it was meant that consideration needs to be given to the locational element, and where growth could take place with less investment on the network.</p>

Northern Powergrid	Non-Confidential	<p>We are not convinced by the benefits of DCP 206. There would be significant volatility in the first year for some customers, as those not affected by the removal of charge 1 will see the shortfall in revenue allocated to them through scaling. We do not agree with the removal of the super red unit rates and believe there needs to be some signal to customers to avoid using the network at peak times. Under this change the locational element will no longer be used, we are not convinced this is appropriate.</p> <p>EHV customers have seen significant changes over the past few years and may struggle to understand why we are changing the methodology again, particularly given the level of industry involvement there was for the original development work. Those customers who are seeing significant increases in their charges without being given assurances that they will not see further step changes should alternatives be raised in the future, may not understand the complexity of the methodology and simply see the impact on their budget forecasts.</p> <p>We do not think that capacity is any more fair or equitable than location when used as a driver in the setting of charges.</p>	The Working Group notes that the issues raised within this response have been raised in previous responses.
Reckon LLP	Non-Confidential	<p>The list of benefits and drawbacks is good in principle.</p> <p>I agree with the benefits identified in the consultation document.</p> <p>Unfortunately, there is not enough information to form a view on whether the drawbacks are significant. In particular, without knowing the aggregated input data mentioned at paragraph 7.9, I cannot determine how much is being charged through the asset scaler and fixed adder before and after DCP 206, and I cannot do any scenario analysis of how plausible future changes in costs,</p>	<p>The Working Group agreed that an additional RFI should be issued in order to gather additional evidence to demonstrate the impacts, and then a further consultation.</p> <p>Action: FL and ElectraLink</p>

		<p>volumes or price controls might affect these charges. Therefore, I cannot form a view on whether the rates of return implied by the demand scaling charge would be driven to excessive levels by DCP 206. If they would, then that would be a drawback of the DCP 206 solution, which could warrant delaying implementation and/or developing an alternative solution.</p> <p>The reasons for non-disclosure given at paragraphs 7.9 and 8.15 of the consultation document are inoperative given that the data in question relate to each DNO area as a whole rather than any customer.</p> <p>I do not think that removing a charge 1-based unit rate is a drawback of the DCP 206 solution, even if a unit rate was to be reintroduced in the future.</p>	
SP Distribution	Non-Confidential	Further benefits/drawbacks may be identified during the EDCM review, therefore this change should be part of that wider review.	The Working Group discussed whether the EDCM Review Group would be an appropriate forum for DCP 206, and failed to reach an agreement. The Working Group also discussed whether they could ask the Proposer to withdraw the CP, and one member did not agree, the majority of members in attendance felt that the CP should be placed on hold pending the EDCM review and then revisit it after that group concludes.
SSE Power Distribution	Non-Confidential	Yes	
UK Power Networks	Non-Confidential	<p>Yes.</p> <p>However, we do not agree that business investment is held back or reduced by the current EDCM charging arrangements as we are aware of businesses making changes to their operating arrangements to avoid the unit charges and where possible</p>	

		<p>export in that period (for which a non-intermittent customer will earn credits for all units exported), which supports the view that the current methodology is working.</p> <p>In clause 8.25 of the consultation the suggestion is made that a separate DCP could be brought forward to re-introduce unit charges if that was felt to be appropriate. However, we believe that this should be considered as part of DCP206 and not separately. Removing a significant element of the charge without any consideration as to whether it should be replaced by an alternative approach, even if it is agreed that locational charging is not appropriate, would appear to be an incomplete solution.</p>	
University of Bath	Non-Confidential	<p>There are a number of fundamental flaws with the attached illustrative case study that has been used to identify the benefits from DCP 206.</p> <p>Firstly, the impact from introducing DCP 206 is demonstrated only for one customer; the customer connected to A2b. It does not show the price changes that would be seen by the rest of the customer group. If customer A2b does not contribute to the future investment cost, then the cost will be borne by the remainder of the customer group, which may give undue preference to A2b.</p> <p>Secondly, it relates to the need for wider network reinforcement and who should contribute to the cost.</p> <p>The case study indicates that at the EHV level the reinforcement of circuit A2/C1 is to ensure the supply for customers at the B1/B2 bus bars remains secure under an N-1 contingency of Y/B1 or Y/B2. The study suggests that only customers connected to the B1/B2 bus bars should pay for the future reinforcement that is required. DCP 206 concludes that A2b does not trigger the reinforcement and thus should be exempt from the payment. This is a flawed logic since customer A2b does use circuit A2/C1</p>	<p>Paragraph 1 – The Working Group explained that within the case study, customer A2B is the only EDCM customer and the other customers are assumed to be CDCM customers.</p> <p>Paragraph 2 – The Working Group reviewed the case study and the response and disagreed with the claims made within this paragraph. It was felt that there would be sufficient capacity between A/X1 and A/X2 to supply the customer at A2B under an N-1 contingency.</p> <p>Paragraph 3 – The Working Group noted the comments, but agreed that they are outside the scope of DCP 206.</p> <p>Paragraph 4 – The Working Group noted that there was no evidence supplied to support the assertion within this paragraph about the removal of Charge 1 being a “wholly inappropriate approach for encouraging the efficient use of existing network</p>

		<p>if there is a forced outage of one of the transformers X/A1 or X/A2 supplying area A.</p> <p>In theory customer A2b could reduce its peak demand so as to reduce its use of system charges. Alternatively its liability for charge 1 could be removed if the customer was prepared to accept that its load growth would be zero. However, such an approach is not permitted under the current charging arrangements. This should be an area on which the industry might focus.</p> <p>Developing contractual strategies that provide opportunities for users to react to locational pricing signals and thus avoid system investment, with the consequence of lower annual charges could be a fruitful approach to making distribution systems more economically efficient. Simply to remove charge 1 for doing nothing, as proposed by DCP 206 is a wholly inappropriate approach for encouraging the efficient use of existing network assets.</p>	<p>assets”.</p> <p>The Working Group agreed to send the Working Group’s comments to this response back to University of Bath in order to allow them to provide additional comments or evidence if they so wish.</p> <p>Action: ElectraLink</p>
Company	Confidential?	Question Eight - Do you feel that DCP 206 will better facilitate any of the DCUSA General or Charging Objectives? Please provide supporting comments or evidence that might help the Working Group improve its assessment.	
SSE Supply	Non-Confidential	The reasons given in the consultation are correct.	
Western Power Distribution	Non-Confidential	Yes, it better facilitates Charging objectives 2 & 3 and General Objective 2 in line with the change proposal.	
ENWL	Non-Confidential	We do not believe that DCP206 on its own better meets Charging Objective 3 which states that charges are meant to	The ENWL representative explained that it should be highlighted that this response is to DCP 206 on its

		<p>reflect the costs reasonably expected to be incurred. If a customer is sited near a node that is close to reinforcement it is reasonable for the DNO to expect that reinforcement is more likely to occur at that node and this should be reflected in the charge:</p> <p>“Charging Objective 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”</p>	<p>own and to simply remove Charge 1 without replacing it with something – particularly for the super-red rate – would go too far in the opposite direction.</p> <p>The Working Group noted the comments.</p>
Northern Powergrid	Non-Confidential	<p>Charging Methodology Objectives:</p> <ol style="list-style-type: none"> 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 paragraphs 13A.6A to 	<p>The Working Group reviewed the comments within this response and summarised that Northern Powergrid felt that there should be an alternative approach included within the Change Proposal. The Chair of the Working Group felt that there is an alternative being offered to the removal of Charge 1, and that would be having the charges reclaimed through scaling. The Northern Powergrid representative clarified that their response and noted that Northern Powergrid would want to see a forward looking element included within any solution.</p>

		<p>13A.9, the CDCM, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business</p> <p>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. This change may improve objective 2 by improving competition in generation if the locational element is removed from demand charges.</p> <p>We do not believe this change meets objective 3 as it removes the forward looking element of the charge, which "reflect some of the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business" without proposing an alternative approach.</p> <p>General Objectives:</p> <ol style="list-style-type: none"> 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 	
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		<p>of the European Commission and/or the Agency for the Co-operation of Energy Regulators.</p> <p>This change may improve objective 2 by improving competition in generation if the locational element is removed from demand charges.</p> <p>We do not believe this change meets objective 3 as it removes the forward looking element of the charge, which “reflect some of the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business” without proposing an alternative approach.</p>	
Reckon LLP	Non-Confidential	<p>Implementation of DCP 206 would facilitate competition in generation for the reasons given in the change proposal form. Although it is true that this is likely to be significant in only a small minority of cases, it is nevertheless important as any distortion of generation markets by distribution monopolists would be a very serious matter.</p> <p>Implementation of DCP 206 would facilitate competition in supply for the reasons given in the change proposal form. The consultation document notes that other aspects of the EDCM are also opaque and unpredictable. Some of the opacity is caused by DNOs’ refusal to be transparent, as discussed in my answer to question 7; this should be resolved separately and gives no reason to maintain charge 1. Some of the opacity and unpredictability is more fundamentally embedded in the EDCM, in particular the network use factor calculation; whilst these other areas of opacity and unpredictability do reduce the benefits from DCP 206, we need to start somewhere to resolve the opacity and unpredictability, and removing charge 1 is a step in the right direction even if it does not solve all the problems.</p> <p>Implementation of DCP 206 would facilitate competition in distribution for the reasons given in the change proposal form. I</p>	<p>The Working Group noted that most of the comments are repeating the arguments raised within the Change Proposal.</p> <p>The Working Group noted the comment about whether DC P 206 would drive the asset scaler and fixed adder to levels that are too high to be justified as a reasonable charge for depreciation and return on capital.</p>

		<p>think that this effect relates to competition between licensed distribution and private networks; DCP 206 probably does not materially facilitate competition between licensed distributors.</p> <p>Implementation of DCP 206 would facilitate the cost-reflectivity objective for the reasons given in the change proposal form and illustrated in the case study. However, there might be a detrimental effect if DCP 206 would drive the asset scaler and fixed adder to levels that are too high to be justified as a reasonable charge for depreciation and return on capital. The consultation does not provide enough information to determine whether this last effect is relevant.</p> <p>I agree with the consultation document that the other objectives are not materially affected.</p>	
SP Distribution	Non-Confidential	<p>This proposal changes the way in which costs are allocated, using scaling to allocate even more costs than the current model. Identifying specific costs to be allocated would better meet the objectives than the proposed solution.</p>	<p>The Working Group noted the comments contained within this response and surmised that SP believe that there is too much contained within the scaling elements already, and would like to see this level reduced.</p>
SSE Power Distribution	Non-Confidential	<p>No – see 2 and 3 above</p>	<p>The Working Group noted that, as with SSE's response to Q2 and Q3, the obligations they refer to are no longer valid.</p>
UK Power Networks	Non-Confidential	<p>No.</p> <p>By removing the locational 'super red' charge we believe that the cost reflective nature of the EDCM charges will be reduced, which does not better facilitate any of the general or charging objectives. In addition (as a result of removing the unit charge) we believe that there will be a detrimental impact on General Objectives 1 & 3 should this change be implemented in its current state as the DNO will be less able to encourage</p>	<p>The Working Group felt that there was not sufficient evidence provided to explain how General Objectives 1 and 3 would be detrimentally impacted by the implementation of DCP 206.</p> <p>It was agreed to seek clarification from UKPN on these points.</p> <p>Action: ElectraLink</p> <p>Post meeting note: UKPN responded with further</p>

		Customers to reduce (or at least limit) their consumption at peak times.	<i>clarification and noted that: UKPN felt, and continue to feel, that having a 'unit charge' which the customer can clearly see and understand provides them with a clear ability to reduce their charge by either NOT consuming or reducing their consumption within a defined period (when the Super Red rate applies). If the unit charge was to be removed (in line with DCP206) from the charge which the customer sees, then we believe this has a detrimental impact upon some of the DCUSA Objectives, as the customer will have a reduced ability to influence the charges which they incur when using the network.</i>
University of Bath	Non-Confidential	(Blank)	
Company	Confidential?	Question Nine - Do you have any further comments on DCP 206?	
SSE Supply	Non-Confidential	Due to the large number of affected customers it's not immediately obvious whether they're all getting a fair deal under the revised price scheme. It would be helpful if each DNO could check the impact on each of their customers and confirm that the new prices are reasonable.	<p>The Working Group agreed to send the Ofgem presentation to SSE Supply and ask if that provides sufficient information to answer their question. If it does not, the Working Group would like further information on what DNOs could do in practice to gather this information and also what defines "reasonable".</p> <p>The Working Group will also attach a copy of the Ofgem presentation to this document for reference.</p> <p>Action: ElectrLink – This document is included as Attachment 1.</p>
Western Power Distribution	Non-Confidential	No	
ENWL	Non-	We believe that any consideration of removing the LRIC/FCP	

	Confidential	element of charges requires a more comprehensive review of the EDCM, in particular to consider wider cost-allocation issues, such as the impact on generation credits; and the effects on tariff structure, such as the super red unit rate.	
Northern Powergrid	Non-Confidential	<p>This Change Proposal will see the removal of Super-Red unit rates – we do not think that this is a positive step as there needs to be a signal to customers to avoid using the network at peak times, – if there is no super-red period where would the incentive be to consume outside of peak times?</p> <p>We also think that some form of locational charging is intrinsic to this methodology and just removing the locational element is not appropriate unless there is a fair replacement considered. Further work could be done to review the allocation of costs generated by the Networks Use Factors (NUFs).</p>	<p>Paragraph 1 – The Working Group agreed to request more information/evidence from Northern Powergrid regarding these points. Action: ElectraLink</p> <p>Paragraph 2 - It was noted by the Chair of the Working Group that the alternative explained within the consultation was to allocate the charges to scaling which was more cost reflective.</p> <p>It was agreed that although more work done in regard to NUFs, it is outside the scope of DCP 206 as the intent is to remove Charge 1 from the methodology.</p>
Reckon LLP	Non-Confidential	No	
SP Distribution	Non-Confidential	We believe this change is premature and, as it impacts on a fundamental principle of the EDCM demand charges, should be considered as part of the wider review. In addition, the structure of charges will be impacted by this change and this should be more widely considered.	<p>The Working Group agreed to seek clarification from SP Distribution regarding their point of the change not being considered widely enough. Action: ElectraLink</p> <p>Post Meeting Note: SP responded with further clarification about this point and noted: SP We believe the structure of charges should also be considered as part of the wider EDCM review that is currently underway.</p>
SSE Power Distribution	Non-Confidential	No	
UK Power Networks	Non-Confidential	No	

University of Bath	Non-Confidential	(Blank)	
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