

**DCP 231 Consultation Collated Responses**

<b>Company</b>	<b>1. Do you understand the intent of DCP 231?</b>	<b>Working Group Response</b>
		The Working Group noted that all respondents understood the intent of DCP 231.
SSE PD	Yes	
SP Distributio n / SP Manweb	Yes SPEN understand the intent of DCP 231.	
Electricity North West	Yes	
Northern Powergrid	Yes	
The Electricity Network Company	Yes	
UK Power Networks	Yes	
Western Power Distributio n	Yes	

<b>Company</b>	<b>2. Are you supportive of the principles of DCP 231</b>	<b>Working Group Response</b>
----------------	---	-------------------------------

	<b>and that the approach adopted for the extended PCDM should be consistent with the approach proposed under DCP 117?</b>	
		The Working Group noted that all respondents were supportive of the approach proposed under DCP 117 being employed for DCP 231.
SSE PD	Yes	
SP Distribution / SP Manweb	Yes SPEN are supportive of the principles and that the approach could be consistent with that proposed under DCP 117.	
Electricity North West	Yes, we are supportive of the principles of DCP 231	
Northern Powergrid	Yes	
The Electricity Network Company	Yes	
UK Power Networks	Yes	
Western Power Distribution	Yes	

<b>Company</b>	<b>3. Do you have any comments on the proposed legal text?</b>	<b>Working Group Response</b>
SSE PD	No	
SP Distribution / SP Manweb	No comments.	
Electricity North West	No	
Northern Powergrid	None	
The Electricity Network Company	The formatting of the sub paragraphs of Clause 26.5A for Schedule 18 should be (a) to (e), not (f) to (j).	The Working Group agreed to amend the legal text before issuing it to the DCUSA legal advisors in line with these comments.
UK Power Networks	We are comfortable with the proposed legal text, which aligns to those changes made to schedule 16 for DCP117.	
Western Power Distribution	None	
<b>Company</b>	<b>4. Do you have any comments on the updated model or associated documentation? Please provide supporting comments.</b>	<b>Working Group Response</b>

SSE PD	No	
SP Distributio n / SP Manweb	No comments.	
Electricity North West	We have populated the revised model issued on 29 <sup>th</sup> June and have no comments	
Northern Powergrid	Due to the complexity of the models, it has taken considerable time to populate it. There have been several versions of both the model and the documentation issued with various levels of information so we feel it needs further validation for all DNOs before we are completely comfortable with it.	The Working Group noted that there were errors contained within the models that were produced by the DCUSA modelling consultant. <i>Post meeting – these errors were corrected by the modelling consultant and all DNOs re-tested the models and were happy with the results that they provided.</i>
The Electricity Network Company	We believe that the methodology for calculating IDNO discounts under the EDCM should be common with those for the ECDM. We note DCP 234 seeks to harmonise the approaches for IDNO discount factors into a single model.	
UK Power Networks	We believe it is important that changes to the PCDM and the Extended PCDM are consistently applied.	
Western Power Distributio n	None	
<b>Company</b>	<b>5. The Working Group feel that DCUSA General</b>	<b>Working Group Response</b>

	<b>Objectives 2<sup>1</sup> and 3<sup>2</sup> would be better facilitated by the implementation of DCP 231; please provide your comments on this and any other DCUSA General Objective you feel will be impacted by DCP 231.</b>	
		The Working Group note that all respondents agreed with the Working Group's assertions.
SSE PD	This DCP better facilitates DCUSA General Objectives 2 & 3 and Charging Objectives 1, 2, and 3 because it proposes a more cost reflective approach and solution for the treatment of customer connections and customer contributions. It leads to charges that better reflect the costs of business. This DCP aligns the changes brought about by DCP 117.	
SP Distribution / SP Manweb	SPEN agree with the working group that DCUSA General Objectives 2 and 3 would be better facilitated for the reasons detailed in the consultation.	
Electricity North West	We agree with the Working Group assessment that General Objectives 2 and 3 would be better facilitated by DCP231	
Northern Powergrid	We agree with the Working Group that DCP 231 better facilitates DCUSA General Objectives 2 and 3 by ensuring that the same approach as used as in DCP 117, to calculate discount factors applied to upstream DNOs' all the way tariffs.	

<sup>1</sup> 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

<sup>2</sup> The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

<p>The Electricity Network Company</p>	<p><b>Objective 2:</b> The proposed change better promotes competition in the distribution of electricity. This is because it results in a more cost reflective allocation of connection contribution between DNOs and IDNOs;</p> <p><b>Objective 3:</b> the following obligations are placed on distributors through their distribution licence:</p> <p>Licence condition 4.6 states  <i>“In carrying on any of the activities of...setting Use of System Charges...the licensee must not restrict, distort, or prevent competition in the ... distribution... of electricity...”</i>.</p> <p>Licence condition 13.3 sets out the relevant objectives in relation the charging methodology; SLC13.3 (b) and (d) state the following:</p> <p><i>“that compliance with the methodology ... does not restrict, distort, or prevent competition in the ... distribution of electricity.</i>  <i>that compliance with the methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its Distribution Business”</i>.</p> <p>The PCDM forms part of the CDCM and is allegedly a total cost allocation model. Currently the PCDM does not allocate all revenues described as customer contributions, where it does allocate them, it only does so at the LV level (irrespective of what network tier the contributions relate. This effect of this is to distort unduly allocation of costs. As a consequence the calculation of discount factors unduly squeezes the IDNO margin in favour of DNOs and. We believe that both DNOs and Ofgem acknowledge the defect. In DCP094 it was the solution that was questioned. The solution proposed under DCP117 uses DNO data provided in regulatory</p>	
--	--	--

	submissions to allocate the costs to network tire. The proposed solution leads to a more cost reflective solution.	
UK Power Networks	We believe that in line with the discussions in the working group that General objectives 2 and 3 are better facilitated as a result of this change by changing the source of the allocation of costs which we agree makes the methodology more cost reflective and therefore less likely to distort competition.	
Western Power Distribution	WPD agree with the Working Group	

Company	6. The Working Group feel that DCUSA Charging Objectives 1 <sup>3</sup> , 2 <sup>4</sup> and 3 <sup>5</sup> would be better facilitated by the implementation of DCP 231; please provide your comments on this and any other DCUSA Charging Objective you feel will be impacted by DCP 231.	Working Group Response
		The Working Group note that all respondents agreed with the Working Group's assertions.
SSE PD	Response for similar reasons given in Question 5 above	

<sup>3</sup> 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

<sup>4</sup> 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)

<sup>5</sup> 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

SP Distributio n / SP Manweb	SPEN agree with the working group that DCUSA Charing Objectives 1, 2 and 3 would be better facilitated for the reasons detailed in the consultation.	
Electricity North West	We agree with the Working Group assessment that General Objectives 1, 2 and 3 would be better facilitated by DCP231	
Northern Powergrid	We agree with the Working Group that DCP 231 better facilitates DCUSA Charging Objectives 1, 2 and 3. It puts in place a more cost reflective mechanism for the treatment of customer connections and customer contributions. This means implementing the change will better promote competition in the distribution of electricity.	
The Electricity Network Company	<p>The following obligations are placed on distributors through their distribution licence:</p> <p>Licence condition 4.6 states</p> <p><i>“In carrying on any of the activities of...setting Use of System Charges...the licensee must not restrict, distort, or prevent competition in the ... distribution... of electricity...”</i>.</p> <p>Licence condition 13.3 sets out the relevant objectives in relation the charging methodology; SLC13.3 (b) and (d) state the following:</p> <p><i>“that compliance with the methodology ... does not restrict, distort, or prevent competition in the ... distribution of electricity”</i>.</p> <p><i>“that compliance with the methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its</i></p>	



	<p><i>Distribution Business”.</i></p> <p>The PCDM forms part of the CDCM and is allegedly a total cost allocation model. Currently the PCDM does not allocate all revenues described as customer contributions, where it does allocate them, it only does so at the LV level (irrespective of what network tier the contributions relate. This effect of this is to distort unduly allocation of costs. As a consequence the calculation of discount factors unduly squeezes the IDNO margin in favour of DNOs and. We believe that both DNOs and Ofgem acknowledge the defect. In DCP094 it was the solution that was questioned. The solution proposed under DCP117 uses DNO data provided in regulatory submissions to allocate the costs to network tier. The proposed solution leads to a more cost reflective solution.</p>	
UK Power Networks	<p>We believe that in line with the discussions in the working group that Charging Objectives 1, 2 and 3 are better facilitated as a result of this change by changing the source of the allocation of costs which we agree makes the methodology more cost reflective and therefore less likely to distort competition.</p>	
Western Power Distribution	<p>WPD agree with the Working Group</p>	
<b>Company</b>	<b>7. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?</b>	<b>Working Group Response</b>

SSE PD	No	
SP Distribution / SP Manweb	SPEN are not aware of any wider industry developments that may impact upon or be impacted by this CP.	
Electricity North West	No	
Northern Powergrid	We are aware that the intent of DCP 231 is to align the changes brought about by DCP 117 in respect of the Price Control Disaggregation Model (PCDM) part of the CDCM with the extended PCDM under the EDCM. DCP 117 is currently pending Authority approval. If it is not approved by the Authority the proposer will consider withdrawing this DCP from the Change Process.	The Working Group note this concern, but highlight that until the decision is made by the Authority this CP should progress on its own merit.  <i>Post meeting note – The Authority approved DCP 117 for implementation on 1 April 2016</i>
The Electricity Network Company	There will be impacts on DCP234 should DCP 117 be approved by the Authority and DCP231 not.	
UK Power Networks	Only as noted in the consultation document, that DCP231 should be withdrawn if DCP117 were to be rejected by the Authority.	
Western Power Distribution	No	

Company	8. Are there any alternative solutions or unintended consequences that should be considered by the Working Group?	Working Group Response
		The Working Group note that no respondent provided any alternative solution, or was aware of any unintended consequences.
SSE PD	No	
SP Distribution / SP Manweb	None.	
Electricity North West	No	
Northern Powergrid	None that we are aware of	
The Electricity Network Company	None that we are aware of.	
UK Power Networks	Not that we are aware of at this time.	
Western Power Distribution	None	