

**DCP 231 'EXTENDED PCDM UNDER THE EDCM' CHANGE DECLARATION**

**VOTING END DATE: 7 SEPTEMBER 2015**

DCP 231 - EXTENDED PCDM UNDER THE EDCM	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	n/a	n/a	n/a
IMPLEMENTATION DATE	Accept	Accept	n/a	n/a	n/a
RECOMMENDATION	<p><b>Change Solution – Accept.</b> For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was more than 50%.</p> <p><b>Implementation Date – Accept.</b> For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 50%.</p>				
PART ONE / PART TWO	Part One – Authority Determination Required				

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A / R)	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
<b>DNO PARTIES</b>				
SSE - Southern Electric Power	Accept	Accept	This DCP better facilitates DCUSA	n/a

Distribution plc			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.	
<b>SSE - Scottish Hydro Electric Power Distribution plc</b>	Accept	Accept		
<b>Scottish Power - Distribution plc</b>	Accept	Accept	SPEN agrees with the assessment of the objectives included in the change report.	None.
<b>Scottish Power - Manweb plc</b>	Accept	Accept		
<b>Electricity North West</b>	Accept	Accept	We agree with the assessment by the Working Group that this change proposal better meets General Objectives 2 and 3 and Charging Objectives 1, 2 and 3.	None
<b>UK Power Networks - Eastern Power Networks</b>	Accept	Accept	We believe that DCUSA General Objectives 2 and 3 and Charging Objectives 1, 2 and 3 are better facilitated as a result of this change. The reason the objectives are better facilitated is due to the improved treatment of customer connections and customer contributions costs which we feel makes the methodology more cost reflective and therefore less likely to distort competition.	
<b>UK Power Networks - London Power Networks</b>	Accept	Accept		
<b>UK Power Networks - South Eastern Power Networks</b>	Accept	Accept		

<b>Northern Powergrid - Northeast Ltd</b>	Accept	Accept	We agree that DCP 231 better facilities 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.  We also agree that DCP 231 better facilities 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.	None
<b>Northern Powergrid - Yorkshire plc</b>	Accept	Accept		
<b>Western Power Distribution - East Midlands</b>	Accept	Accept	n/a	n/a
<b>Western Power Distribution - West Midlands</b>	Accept	Accept		
<b>Western Power Distribution - South Wales</b>	Accept	Accept		
<b>Western Power Distribution - South West</b>	Accept	Accept		
<b>IDNO PARTIES</b>				
<b>GTC</b>	Accept	Accept	DCP231 replicates the intent of	n/a

			<p>DCP117. Therefore our comments replicate those submitted in respect of DCP117 (which was approved by the Authority)</p> <p><b>DCUSA General Objectives</b></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 style="padding-left: 40px;">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 style="padding-left: 40px;">Licence condition 13.3 sets out the relevant objectives in relation the charging methodology; SLC13.3 (b) and (d) state the following:  <i>“that compliance with the methodology ... does not restrict, distort, or prevent competition in</i></p>	
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			<p><i>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 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 tire. The proposed solution leads to a more cost reflective solution.</p> <p><b>DCUSA Charging Objectives</b></p>	
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			<p><b>Objective 1, 2 and 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: <i>“that compliance with the methodology ... does not restrict, distort, or prevent competition in the ... distribution of electricity. 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</p>	
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<b>SUPPLIER PARTIES</b>				
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n/a				
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<b>DISTRIBUTED GENERATOR PARTIES</b>				
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n/a				
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<b>GAS SUPPLIER PARTIES</b>				
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n/a				
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