

Annex to DCP 251

Suggested Legal Text to Schedule 16

Schedule 16 Paragraph No	Proposed Amendment
1	<p>This Schedule 16 sets out the Common Distribution Charging Methodology (CDCM), which gives the methods, principles, and assumptions underpinning the calculation of Use of System Charges <u>made</u> by each DNO Party <u>operating within its Distributions Services Area</u>. (except where the DNO Party is acting as an LDNO).</p>
Figure 1	<pre> graph TD S1[Step 1 Analyse costs] --> C1[Network model costs Load Profiles] S1 --> C2[Service model costs Customer contributions ...] C1 --> S2[Step 2 Analyse costs] C2 --> S2 VF[Volume forecasts] --> S2 S2 --> TC[Tariff components before matching] TC --> S3[Step 3 Analyse costs] PCAR[Price control allowed revenues] --> S3 VF --> S3 S3 --> ATW[All-the-way tariffs] ED[Expenditure Data RRP FBPQ] --> S4[Step 4 Price Control (QNO) Disaggregation] PCAR --> S4 ATW --> S4 S4 --> QNT[QNO tariffs] </pre> <p>The flowchart illustrates the Common Distribution Charging Methodology (CDCM) process. It begins with Step 1: Analyse costs, which involves Network model costs (Load Profiles) and Service model costs (Customer contributions, ...). These lead to Step 2: Analyse costs, which also incorporates Volume forecasts. Step 2 produces Tariff components before matching. These components, along with Price control allowed revenues and Volume forecasts, feed into Step 3: Analyse costs. Step 3 produces All-the-way tariffs. Finally, Step 4: Price Control (QNO) Disaggregation uses All-the-way tariffs, Expenditure Data (RRP, FBPQ), and Price control allowed revenues to produce QNO tariffs.</p>
8	<p>Step 2 is the application of the cost allocation rules set out below. These rules are only for all-the-way tariffs and do not apply to LDNO <u>in respect of</u> tariffs to <u>qualifying network operators (QNOs)</u>.</p>
10	<p>Step 4 uses price control condition calculations, actual expenditure data and forecast expenditure data in order to determine discount percentages, which are then applied to all-the-way tariffs in order to produce LDNO QNO tariffs.</p>
11	<p>Step 4 is independent from Steps 1 to 3. In practical terms, Step 4 must be performed</p>

	first. This is because as the discount percentages <u>used to determine qualifying embedded network tariffs</u> are used within Step 1 to combine volume forecasts for all-the-way <u>tariffs</u> and portfolio tariffs <u>to QNOs</u> into a single composite dataset for each type of end user.
13	For <u>QNOs</u> , users that are acting as LDNOs , tariffs <u>are applied in respect of users connected to qualifying embedded networks and are portfolio tariffs comprise</u> of the same tariff components as the corresponding a DNO Party's all-the-way end user tariffs to equivalent end users , excluding reactive power charges (but prices for some tariff components may be calculated as zero).
53	The volume forecasts for portfolio tariffs are multiplied by the LDNO QNO discount percentages determined in Step 4, and combined with the all-the-way volume forecasts for each end user type. These combined volume forecasts are used throughout Steps 2 and 3 of the methodology.
95	The final tariffs for demand (before rounding and application of LDNO <u>discounts percentages for QNOs</u>) are determined on the basis of an allocation with the single adder included in costs. Tariffs for generation do not have any revenue matching element.
96	Step 4 involves calculations based on price control and expenditure data which produce a series of discount percentages to be used to determine portfolio tariffs, for LDNOs .
98(c)	Determination of the proportion of the LV mains deemed to be used by LV-connected embedded <u>QNO</u> networks.
98(d)	Allocation of 100% of the LV services to LV-connected embedded <u>QNO</u> networks (the "[LV services allocation]").
98(e)	Determination of the proportion of the HV network deemed to be provided by HV-connected embedded <u>QNO</u> networks with HV end users.
114	The DNO Party determines the proportion of the LV mains which LV-connected embedded <u>QNO</u> networks are deemed to use by: <ul style="list-style-type: none"> (a) determining the total length of its LV mains used by LV-connected licensed embedded <u>QNO</u> networks; (b) dividing that total length by the number of end users on LV-connected licensed embedded <u>QNO</u> networks; and
116	The DNO Parties will procure that the Nominated Calculation Agent estimates the typical proportion of the HV network which is provided by the DNO Party in the case of HV loads supplied through an HV-connected LDNO QNO . This estimate will be based on sample data, and the average used will be the same for all DNO Parties.
117	

	$HV \text{ split} = \frac{\text{Sum of QNO network length/Number of QNO Connections}}{\text{Sum of DNO network length/Number of DNO connections}}$
119	<p>For embedded <u>QNO</u> networks with an LV boundary, the discount is equal to:</p> <p>[LV: LV discount] = [LV services allocation] + ([LV mains allocation]*(1 – [LV mains split]*[LV mains direct proportion])).</p>
120	For embedded <u>QNO</u> networks with an HV boundary, three percentage discount figures are used.
124	For demand users, the discount percentages are applied to all tariff components in all-the-way tariffs in order to determine embedded <u>QNO</u> network portfolio tariffs
125	For generation users, the unit rate element (p/kWh) is not discounted, reflecting the modelling assumption that generation benefits are seen at the voltage level above the Exit Point, and therefore the embedded LDNO <u>QNO</u> simply “passes on” the benefits seen at the DNO Party level. The fixed charge element (p/day) is discounted at 100 per cent, as this tariff component in the all-the-way tariff recovers costs associated with the allocation of other expenditure to service assets, which are not provided by the DNO Party.
127	This part details the common tariff structure and associated tariff elements for Non-Half Hourly (NHH), Half-Hourly (HH) site-specific and HH aggregated metered supplies for demand and generation, for unmetered supplies and for charges to <u>LDNOs QNOs</u> .
147	<p>Tariff structures for <u>LDNOs QNOs</u></p> <p>The tariff structure for <u>LDNOs QNOs</u> will mirror replicate the structure of the that <u>the DNO Party uses in setting its all-the-way-tariffs to its equivalent end users.</u> , and is dependant on the voltage of connection either LV or HV. The same tariff elements will apply.</p>
Table 8 heading	Table 8: LDNOQNO LV connection
Footnote at table 8	* Where the boundary between the <u>LDNO QNO</u> and the DNO <u>Party’s distribution system network</u> is at LV
Table 9 heading	Table 9: LDNO-QNO HV connection
151	For <u>QNO LDNO</u> connections, if capacity ramping has been agreed with the DNO Party, in accordance with the DNO Party’s connection charging methodology, the phasing profile will apply instead of the above rules. Where an LDNO a QNO has agreed a phasing of capacity this will be captured in the Bilateral Connection Agreement with the DNO Party.

all-the-way tariff	a tariff applicable to an end user <u>connected directly to the DNO Party's distribution system (an end user not being a QNO) rather than an LDNO</u>
boundary tariff	a tariff for use of the DNO Party's network by an LDNO where charges are based on boundary flows <i>[Comment: The term is not used]</i>
embedded network	An electricity distribution system operated by <u>a QNO</u> an LDNO and embedded within the DNO
end user	is a user, but excluding <u>QNOs</u> LDNOs .
LDNO	a licensed distribution network operator, meaning an IDNO Party or DNO Party operating an electricity distribution system outside of its Distribution Services Area.
portfolio tariff	a tariff for use of the DNO Party's network by <u>a QNO</u> an LDNO where charges are based on flows out of / or into the <u>QNO's</u> LDNO's electricity distribution system from <u>Customers</u> its end users or further nested networks .
user	refers to customers (whether demand customers or generators) and (where relevant) LDNOs <u>QNOs</u> .
<u>Qualifying Network Operator</u>	<p><u>A person who is authorised to distribute electricity:</u></p> <p>(a) <u>by an electricity distribution licence it:</u></p> <p>(i) <u>does not have a specified Distribution Services Area; or,</u></p> <p>(ii) <u>is a DNO Party operating a network outside its specified Distribution Services Area; or</u></p> <p>(b) <u>by exemption under the Act where</u></p> <ul style="list-style-type: none"> - <u>the relevant distribution system forms part of the Total System (as defined by the Balancing and Settlement Code);</u> - <u>Customers' Entry Points or Exit Points to or from that distribution system are Metering Points;</u> - <u>the person has notified the DNO Party that it wishes to be treated as a QNO; and</u> - <u>the person responsible for that system agrees to provide the relevant DNO Party with information it may reasonably require to enable them to be treated as a QNO.</u>

Notes:

1. The term LDNO is commonly an abbreviation of the term Licensed Distribution Network Operator. It therefore seems contradictory that it should be used to include charges to licence exempt networks
2. Embedded network tariffs applying to licence exempt networks will be based on the HV split data and LV split data. This data is only based on IDNO/DNO data. Licence exempt networks are not subject to DCUSA and therefore DCUSA has no vires to request this information (given that such network owners are not parties). Hence paragraph 116 of Schedule 16 is unchanged; i.e. it still refers to an LDNO. However consideration may need to be given as to whether licence exempt network operators should provide such information. If so it will probably need to an obligation place on the licence exempt distributor by the relevant distributor (through a connection agreement)
3. User is defined in main body of DCUSA. Since schedule 16 is part of DCUSA definition of user within the schedule should be consistent with that used by DCUSA. It is uncertain as to why a separate definition is required in this schedule.