

DCUSA Change Proposal Form

This form is issued in accordance with Clause 10.5 of the DCUSA.

Completed forms should be returned to dcusa@electralink.co.uk for assessment by the DCUSA Panel. Failure to complete all parts of the form may result in it being rejected by the DCUSA Panel.

PART A – Mandatory for all Change Proposals

PART B – Mandatory for Non Charging Methodologies Proposals

PART C – Mandatory for Charging Methodologies Proposals

PART D – Guidance Notes

PART A - MANDATORY FOR ALL CHANGE PROPOSALS

Document Control	
CP Status	Standard
CP Number	DCP 251
Date of submission	15 October 2015
Attachments	Annex 1
Originator Details	
Company Name	The Electricity Network Company LTD
Originator Name	Mike Harding
Category	DG / DNO / IDNO / OTSO / SUPPLIER / OTHER
Email Address	mike.harding@bu-uk.co.uk
Phone Number	07920 238095
Change Proposal Details	
CP Title	Clarification And Extension Of The Application Of LDNO Tariffs Under The CDCM
Impacted parties	DNOs, IDNOs, other parties that are or would be eligible for LDNO tariffs
Impacted Clause(s)	Schedules 16, 17 and 18
Part 1 / Part 2 Matter	Part 1
Provide your rationale why you consider this change is a Part 1 or Part 2 Matter	Any change to the DNO charging methodologies requires Ofgem's approval according to the distribution licence.
Related Change Proposals	None
Change Proposal Intent	
<p>The intent of this proposal is to:</p> <ol style="list-style-type: none"> 1. Correct drafting errors in the specification of the distribution systems that are eligible for LDNO tariffs under the CDCM and under the EDCM. 2. Ensure that there the charging methodologies do not impose undue discrimination between licensed and licence-exempt distribution systems. 3. Restore the 50 per cent LDNO discount on indirect costs which was removed by the approved legal text for DCP 185 in cases where the fixed adder is negative. 	
Business Justification and Market Benefits	
<p>This change proposal addresses the following defects in the CDCM and EDCM:</p> <ol style="list-style-type: none"> 1. The CDCM currently contains undue discrimination in favour of IDNOs/DNOs compared to operators 	

of equivalent distribution systems that take up their legal right to operate under a licence exemption.

2. The EDCM legal text currently wrongly limits the application of LDNO tariffs to “IDNO Parties” and some licence-exempt distribution systems. In practice, companies such as SEPD operating out of their area should be (and probably are) eligible for LDNO tariffs under the EDCM. The EDCM legal text also contains errors and inconsistencies in the definition of customer categories for LDNO systems.

3. The EDCM legal text as varied by DCP 185 does not provide for a 50 per cent discount on indirect costs in cases where the fixed adder is negative. This seems irrational and might have been a drafting error in DCP 185, which this DCP would correct.

This change proposal seeks to make the minimum changes necessary to remedy these defects.

In schedule 16 (CDCM), it extends the application of LDNO tariffs to exempt distribution systems subject to strict conditions about metering, openness to competition and duties to provide data. These conditions ensure equivalence with licensed distribution systems.

In schedules 17 and 18 (EDCM), it corrects the legal drafting as it relates to LDNO systems, including the 50 per cent discount at paragraph 26.11.

Proposed Solution and Draft Legal Text

Schedule 16

Change the definition of LDNO to:

~~“a licensed distribution network operator, meaning an IDNO Party or DNO Party operating an electricity distribution system outside of its Distribution Services Area. In this schedule, the term LDNO means a distribution network operator who owns and operates a distribution system (an “embedded distribution system”) which is connected to the transmission system via a DNO or IDNO Party’s system, which is a Designated Property as defined in Condition 13A (Common Distribution Charging Methodology) of the DNO Party’s Distribution Licences, and which satisfies at least one of the following three conditions:~~

- the embedded distribution system is operated by an IDNO Party; or*
- the embedded distribution system is operated by another DNO Party operating outside of its Distribution Services Area; or*
- the embedded distribution system is part of the Total System under the Balancing and Settlement Code, it is open to supply competition, and the person responsible for that system has notified the DNO Party that it wishes to opt for LDNO treatment and has accepted the obligations to provide all the data necessary for the DNO Party to calculate charges, in the same format and through the same systems as would be used by an IDNO Party or a DNO Party operating outside of its Distribution Services Area.*

Schedule 17

Schedule 18

Proposed Implementation Date

Next DCUSA release following approval.

Impact on Other Codes

Please tick the relevant boxes and provide any supporting information.

BSC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
SEC	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input checked="" type="checkbox"/>

If other please specify

Consideration of Wider Industry Impacts

None identified

Environmental Impact

None identified

Confidentiality

None

PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Objectives

General Objectives:

Please tick the relevant boxes. [See Guidance Note 9]

- ☐ 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 of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

Detailed rationale for better facilitation of the DCUSA Objectives identified above

[See Guidance Note 10]

PART C – MANDATORY FOR CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Charging Objectives

Please tick the relevant boxes. [See Guidance Note 11]

Charging Objectives:

- ☒ 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 Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business
- ☐ 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.

General Objectives:

- ☐ 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 of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

Detailed rationale for better facilitation of the DCUSA Objectives identified above

[See Guidance Note 10]

Charging Objectives:

1: Correcting errors in the methodology statement facilitates compliance.

2: Distortions to competition are reduced by removing undue discrimination between licensed and licence-exempt distributors, and by removing the irrational treatment of indirect costs that has been introduced by the DCP 185 legal text in cases where the fixed adder is negative.

General Objectives:

2: Distortions to competition are reduced by removing undue discrimination between licensed and licence-exempt distributors, and by removing the irrational treatment of indirect costs that has been introduced by the DCP 185 legal text in cases where the fixed adder is negative.

3 and 4: Correcting errors in the methodology statement facilitates compliance and administration.

Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation

Issue first raised at a MIG meeting on 11 September 2014. Draft DCP discussed at a MIG meeting on 2 October 2014.

Following that meeting, the issue originator sought to understand how the legal provisions are supposed to work in the case of licence-exempt distribution networks which have opted for "full settlement" metering and are purchasing a meter point registration service from a licensed distributor. He failed: it seems to be that DCUSA does not cover these points. For example, the scope of section 2B seems to be limited to licensed embedded networks. But there is no need to DCUSA to cover everything, as there does not seem to be any absolute barrier to using site-specific bilateral agreements from providing the necessary framework, outside DCUSA.

This leaves the question of charges. This has to involve DCUSA but only because the charging methodologies, even though they are not part of the DCUSA contractual structure, are subject to DCUSA governance. The issue originator brought the issue back to the November 2014 MIG meeting, with a submission that it is a legitimate charging methodology issue, and the suggested solution would better meet the DCUSA charging objectives by removing undue discrimination between licensed and licence-exempt distributors, and by improving clarity/correctness of the methodology statement.

The draft legal text was amended in November 2014 in order to reflect the approval of DCP 185 and to restore the 50 per cent LDNO discount on indirect costs in the EDCM, which had been (probably accidentally) removed by the approved legal text for DCP 185 in cases where the fixed adder is negative.

PART D – GUIDANCE NOTES FOR COMPLETING THE FORM

Guidelines for Working Group Members and Working Group Terms of Reference are available on the DCUSA Website and provide more information about the progression of the Change Process. www.dcusa.co.uk

Ref	Data Field	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	Part 1 / Part 2 Matter	A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.
3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.
4	Proposed Solution and Draft Legal Text	<p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions. The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>
5	Proposed Implementation Date	<p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes in to consideration the deadlines for publishing indicative tariffs.</p> <ul style="list-style-type: none"> • Submission of Company indicative tariffs is 31 December of each year. • Final tariffs are published on 1 April of each year. <p>Please select an implementation date that provides sufficient time for the change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected within the December indicative tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases dcusa@electralink.co.uk.</p>
6	Consideration of Wider	Indicate whether this Change Proposal will be impacted by or

	Industry Impacts	have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.
7	Environmental Impact	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see Ofgem Guidance .
8	Confidentiality	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem.
9	DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
10	Detailed Rationale for DCUSA Objectives	Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.