









## Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 289B:</h1> <h2>Creation of Distribution Charging Methodology Development Group</h2> <p><i>Date Raised: 07/04/2017</i></p> <p><i>Proposer Name: Simon Yeo</i></p> <p><i>Company Name: Western Power Distribution</i></p> <p><i>Company Category: DNO</i></p>		<div>01 – Change Proposal</div> <div>02 – Consultation</div> <div>03 – Change Report</div> <div>04 – Change Declaration</div>
<p><b>Purpose of Change Proposal:</b></p> <p>To formalise the creation of a new single standing issues working group for the use of system charging methodologies and related topics within DCUSA.</p>		
	<p><b>Governance:</b></p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> <li>Treated as a Part 1 Matter</li> <li>Treated as a Urgent Change</li> <li>Proceed to Change Report</li> <li>That the Panel consider the proposer's recommendation and determine the appropriate route.</li> </ul>	
	<p><b>Impacted Parties:</b> DNOs, IDNOs and Suppliers</p>	
	<p><b>Impacted Clauses:</b> Section 1A Clause 1, Section 1B Clause 7 and Clause 8 and new Schedule xx</p>	

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Indicative Timeline		 DCUSA@electralink.co.uk
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<b>The Secretariat recommends the following timetable:</b>		
Initial Assessment Report	dd month year	
Consultation Issued to Industry Participants	dd month year	
Change Report Approved by Panel	dd month year	
Change Report issued for Voting	dd month year	
Party Voting Closes	dd month year	
Change Declaration Issued to Parties	dd month year	
[Change Declaration Issued to Authority]	dd month year	
[Authority Decision]	dd month year	

## 1 Summary

### What?

The creation of a DCUSA Charging Methodology Development Group (DCMDG), as a forum for discussion/development of Distribution Use of System (DUoS) related charging methodologies and their application. This will benefit industry participants including DCUSA Parties by creating a structured environment for the focused addressing of issues raised by either the DCUSA Panel, parties to the Agreement or other interested participants.

### Why?

The new arrangements would better reflect Ofgem's views detailed in the Code Governance Review (Phase 3) (CGR3) Final Proposals which was published on 31 March 2016. In particular paragraph 5.7

which welcomed the strong support for the use of a pre-modifications process which would result in well-developed modifications and therefore reducing the time spent in the formal process.

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The establishment of this group will also facilitate the promotion of efficiency in the implementation and administration of the DCUSA Agreement.

## How?

The new working group, the DCMDG will undertake the activities which were previously carried out by the Distribution Charging Methodology Forum (DCMF), the Methodologies Issues Group (MIG) and the Distribution Charging Managers (DCM) group. This will be undertaken as a single monthly meeting which any interested party is welcome to attend.

The activities carried out by the Distribution Charging Methodology Forum (DCMF), the Methodologies Issues Group (MIG) and the Distribution Charging Managers (DCM) group assist DNOs to discharge their licence obligation to keep the charging methodology under review and are 100% paid for by DNOs, funded through their price control revenue allowances. This change does not seek to change this arrangement **until RIIO ED2 when price control allowances can be revised to take account of the new funding arrangements. This requires that the activities of the DCMDG will be 100% funded by the DNOs until 31 March 2023.**

## 2 Governance

### Justification for Part 1 and Part 2 Matter

This change will not alter charges (which is the normal requirement to be treated as a Part 1 matter) but could have a significant impact upon the development of the DUoS charging methodologies and as such should be taken forward as a Part 1 matter. It is therefore seen as an urgent change in order to have a solution in place for the start of April 2017 and so should be progressed promptly. This change can proceed directly to Change Report, and does not require development by a working group.

### Requested Next Steps

This Change Proposal should:

- Be treated as a Part 1
- Be treated as an Urgent Change
- Proceed to Change Report

## 3 Why Change?

As part of the Code Governance Review 3 Phase 2 (CGR3), Final Proposals, Ofgem encouraged parties to look at the governance arrangements for any meeting which discussed charges and related to charge setting.

As a result, the work of the ENA Commercial Operations Group (COG) and its subgroup, Distribution Charging Managers (DCM), as well as the Distribution Charging Methodology Forum (DCMF) and the Methodologies Issues Group (MIG) were considered.

It was ultimately agreed that the COG was out of scope as it does not discuss DUoS charge setting. A consultation was issued and concentrated on the options for the other three groups. It looked at two options:

- To place just the MIG under DCUSA (option 1); or
- To place all three groups under DCUSA (option 2).

Feedback from parties was requested by Ofgem to assist them in making a decision. Parties were strongly in favour of moving the MIG and DCMF into DCUSA, but were split on the DCM. Ofgem were however strongly in favour of Option 2, as they felt that all discussions relating to charges should take place under the open governance regime, so that the process is open to all. This approach would also see an independent chair appointed and the agenda, minutes and papers will be published on the DCUSA website.

## Part B: Code Specific Details

### 4 Solution and Legal Text

#### Legal Text

Draft legal text is set out in Attachment 1.

#### Text Commentary

A new schedule has been drafted to be included as part of DCUSA in relation to this change which is attached, this is based upon schedule 7 (Standing Issues Group – SIG) and sets out how the group is to operate. The high level objectives of the group are part of the drafting however it will be necessary for more detailed Terms of Reference (ToR) to be developed to assist the group in the detail of what is expected. This can be undertaken separately to this DCUSA change, and so ToR are not included in the proposed schedule, giving flexibility.

Changes have also been made to Clause 8 (Cost of the DCUSA) so that the funding of the activities of the DCMDG is 100% paid for by DNOs **until 31 March 2023**. This reflects the fact the funding of the activities of the DCMF, DCMF MIG and DCM is already funded through their RIIO ED1 price control allowances. The proposed mechanism is based on the existing mechanism in place for the Theft Risk Assessment Service Arrangements and/or the Energy Theft Tip-Off Service (which are 100% funded by Suppliers), **but will only apply to costs incurred prior to 1 April 2023. Providing certainty that costs incurred in RIIO ED2 will be shared across all parties will allow DNOs to submit RIIO ED2 business plans on this basis and will also allow other industry Parties to forecast DCUSA costs on this basis.**

### 5 Code Specific Matters

#### Reference Documents

Ofgem's Code Governance Review (Phase 3) (CGR3) Final Proposals, published on 31 March 2016. In particular paragraph 5.7

## 6 Relevant Objectives

DCUSA Charging Objectives	Identified impact
Please tick the relevant boxes. <a href="#">[See Guidance Note 10]</a>	
<input type="checkbox"/> 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	None
<input type="checkbox"/> 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)	None
<input type="checkbox"/> 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	
<input type="checkbox"/> 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	None
<input type="checkbox"/> 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.	None
DCUSA General Objectives	Identified impact
<input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<input type="checkbox"/> 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	None
<input checked="" type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	Positive
<input checked="" type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of the DCUSA	None
<input type="checkbox"/> 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.	None

**DNOs have licence obligations to keep the charging methodology under review to ensure that it continues to achieve the Relevant Objectives. General Objectives three and four are better facilitated as a result of this change as it will ensure that current discussions and debates relating to Use of System Charge setting will be open to all.**

## 7 Impacts & Other Considerations

This change has been submitted as a result of Code Governance Review 3 recommendations.

### Does this Change Proposal Impact Other Codes?

Please tick the relevant boxes and provide any supporting information. [\[See Guidance Note 6\]](#)

- |           |                                     |
|-----------|-------------------------------------|
| 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"/> |

### Consideration of Wider Industry Impacts

This change has been extensively discussed at COG and also MIG / DCMF.

### Confidentiality

This change is not confidential

## 8 Implementation

This change will not alter charges, but could have a significant impact upon the development of the DUoS charging methodologies and as such should be taken forward as a Part 1 matter. It is therefore seen as urgent in order to have a solution in place for the start of April 2017 and so should be progressed promptly. This change can proceed directly to Change Report and does not require development by a working group.

### Proposed Implementation Date

1 April 2017

## 9 Recommendations

### Part C: Guidance Notes for Completing the Form

Ref	Section	Guidance
1	<b>Attachments</b>	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	<b>Governance</b>	<p>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.</p> <p><b>Part 1 Matter</b></p> <p>A change Proposal is considered a Part 1 Matter if it satisfies one or more of the following criteria:</p> <ul style="list-style-type: none"> <li>a) it is likely to have a significant impact on the interests of electricity consumers;</li> <li>b) it is likely to have a significant impact on competition in one or more of: <ul style="list-style-type: none"> <li>i. the generation of electricity;</li> <li>ii. the distribution of electricity;</li> <li>iii. the supply of electricity; and</li> <li>iv. any commercial activities connected with the generation, distribution or supply of electricity;</li> </ul> </li> <li>c) it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties); <ul style="list-style-type: none"> <li>i. it is directly related to the safety or security of the Distribution Network; and</li> <li>ii. it concerns the governance or the change control arrangements applying to the DCUSA; and</li> <li>iii. it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A.</li> </ul> </li> </ul> <p><b>Part 2 Matter</b></p> <p>A CP is considered a Part 2 Matter if it is proposing to change any actual or potential provisions of the DCUSA which does not satisfy one or more of the criteria set out above.</p>
3	<b>Related Change Proposals</b>	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.

4	<b>Proposed Solution and Draft Legal Text</b>	<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.</p> <p>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	<b>Proposed Implementation Date</b>	<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 into consideration the minimum notice periods for publishing tariffs. These are:</p> <ul style="list-style-type: none"> <li>• 15 months, for DNOs acting within their Distribution Services Areas; or</li> <li>• 14 months, for IDNOs and DNOs acting outside their Distribution Services Area.</li> </ul> <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 in future tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a>.</p>
6	<b>Impacts &amp; Other Considerations</b>	<p>Indicate whether this Change Proposal will be impacted by or 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.</p>
7	<b>Environmental Impact</b>	<p>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 <a href="#">Ofgem Guidance</a>.</p>
8	<b>Confidentiality</b>	<p>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</p>
9	<b>DCUSA General Objectives</b>	<p>Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.</p>
10	<b>Detailed Rationale for DCUSA Objectives</b>	<p>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.</p>



11	<b>DCUSA Charging Objectives</b>	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.
12	<b>Defining 'Material' for Charging Methodology Changes</b>	In respect of proposals to vary one or more of the Charging Methodologies, such proposals shall be deemed to be "material" if they might reasonably be expected to have a significant impact on the tariffs calculated under one or more of the methodologies.