

DCP 243 - 'TREATMENT OF CUSTOMER CONTRIBUTIONS IN THE CDCM' - CONSULTATION FOUR

Company	Confidential/ Anonymous	1. Do you agree with the approach of using LV customer contributions values as a proxy for LV Substation customer contributions values?	Working Group Comments
Electricity North West	Non-confidential	<p>Yes we agree with the principle of this approach as we agree with the working group assessment that there is a risk of low volumes of LVS connections jobs leading to distortions due to the small sample size.</p> <p>In detail, the approach should be to combine LV and LVS (if there is any) data together to calculate the total LV+LVS customer contribution values to be used for both LV and LVS, not simply to use the LV data only.</p>	Noted and highlighted the approach taken by the working group.
ESP Electricity	Non-confidential	ESP Electricity ('ESPE') agrees that the best way to calculate LV Substation customer contribution values is by using LV customer contributions. ESPE also agrees that for an 'LV Job with only LV Work' it is suitable to apportion 100% of the value.	Noted
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>In the absence of a reasonable alternative, yes we agree with this approach.</p> <p>Ultimately, from a cost reflectivity perspective, it would be desirable to calculate the average customer contribution made by an LV Sub customer distinct from the calculation of the average customer contribution made by an LV Network customer. But we understand that both availability of data and the small number of new LV Sub connections would result in such a calculation being disproportionately complex, and likely to involve internal DNO data not available in any reporting pack, and hence would not meet the intent of the change to 'determine a common set of modelling inputs'. Hence we support the proposed approach.</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric	Non-confidential	Yes – this seems to be a straightforward solution to the matter. Empirical evidence to suggest that this may cause a distortion in charges isn't available.	Noted

Power Distribution plc			
SP Distribution & SP Manweb	Non-confidential	Yes, On the assumption that the LV sub data is monitored when compiling the latest completed five year data. Should adequate data for LV sub becoming available then the proxy should no longer be used.	Noted and agreed that the approach set out would only be taken forward at a later point via a separate CP when the data becomes available.
UK Power Networks	Non-confidential	Yes, as the data is not reported for LV Substation. Using LV network values would seem to be the most pragmatic solution.	Noted
Western Power Distribution	Non-confidential	yes	Noted
<p>The Working Group noted that all respondents agree with the approach of using LV customer contributions values as a proxy for LV Substation customer contributions values. It was also noted that some respondents highlighted that their preference would be to use the correct data but that in lieu of the data being available the approach of using LV customer contributions values as a proxy for LV Substation customer contributions values is an appropriate solution.</p>			

Company	Confidential/ Anonymous	2. Do you agree with the Working Group on the method of applying expenditure associated with an LV job which includes HV work?	Working Group Comments
Electricity North West	Non-confidential	Yes we agree with this solution. This is a practical approach to using an information source that is imperfect but is regardless the best available for this purpose. We do not consider that developing alternative information sources would be practicable, or would be likely to materially affect the ultimate outcome of the methodology. Given this, equal allocation across the levels, as recommended by the working group, is the fairest approach.	Noted
ESP Electricity	Non-confidential	ESPE does not agree that the split of the expenditure across HV, HV/LV and LV Circuits should be equally divided into thirds. Our view is that this field should be	Noted, however Working Group agreed that this suggestion had

		populated by DNOs based on available data and costs within their footprint area, rather than taking an overall estimate of one third across each category.	been covered off during a previous consultation and Parties were of the view that they wanted the data based on reporting data only rather than reporting data and DNO assessment. An action was taken to confirm which consultation covered this off.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>In the absence of a reasonable alternative, yes we agree with this approach.</p> <p>As with our response to question one, it would be desirable to accurately allocate the expenditure for each job labelled as 'LV job involving HV work' to the LV and HV network levels, and determine which elements of the work at each voltage level have been contributed to by the customer and to what extent. But we understand that the data to carry out such a calculation is not available in any reporting pack, and if the calculation were to be carried out on internal DNO data the intent of the change to 'determine a common set of modelling inputs' would not be met.</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes. The reasoning for the proposed application of the expenditure in these circumstances seems reasonable.	Noted
SP Distribution & SP Manweb	Non-confidential	Yes, given there is currently no common data source to allow DNOs to determine the expenditure split for these types of works.	Noted
UK Power Networks	Non-confidential	Yes splitting the cost of the expenditure equally across the voltages impacted would seem to be a reasonably and pragmatic solution.	Noted

Western Power Distribution	Non-confidential	I'm not sure of the validity of splitting on this basis, but on the other hand am unaware of any other option.	It was noted during the review of the consultation responses that the respondent has the data to apply expenditure without the need for a defined split but the Working Group is of the view that a common approach is beneficial as not all DNOs have the same data.
The Working Group note that five of the seven respondents agree with the with the Working Group on the method of applying expenditure associated with an LV job which includes HV work.			

Company	Confidential/ Anonymous	3. Do you agree with the solution proposed (Option A) by the Working Group and not to hard code the values into the DCUSA?	Working Group Comments
Electricity North West	Non-confidential	Yes, we agree with the Option A approach. This provides a robust solution that reflects changes over time which would not be possible for approaches that involve hard coded values as per Option B1. Options B and C are less cost reflective as they either use a national average or ignore customer contributions altogether.	Noted
ESP Electricity	Non-confidential	ESPE agrees that values should not be hardcoded into the DCUSA, especially if the only way to change them would require a further DCP. Hardcoding values is not a forward-looking process, and therefore Option A is the most acceptable solution.	Noted
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd	Non-confidential	Yes, we agree with the approach proposed of an annual calculation.	Noted

and Northern Powergrid (Yorkshire) plc			
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes – hardcoding is inflexible and requires a potentially lengthy, time consuming and not particularly cost effective process to facilitate any necessary changes. It also runs the risk of falling foul of DCP293 (when implemented); so necessary changes may not be approved/implemented in a timely manner.	Noted
SP Distribution & SP Manweb	Non-confidential	Yes, otherwise should a more cost reflective approach become available the application of this would require a DCP before going live.	Noted
UK Power Networks	Non-confidential	We support option (A) as its uses the latest available data.	Noted
Western Power Distribution	Non-confidential	yes	Noted
The Working Group noted that all respondents agree with the solution proposed (Option A) and not to hard code the values into the DCUSA.			

Company	Confidential/ Anonymous	4. Which DCUSA Charging Objective(s) does the proposed solution better facilitate? Please provide supporting comments.	Working Group Comments
Electricity North West	Non-confidential	In comparison with the existing methodology, and assuming no significant changes to industry arrangements then the proposed solution would better facilitate DCUSA Charging Objectives as follows: 3. Cost reflectivity is enhanced by using updated values to calculate customer contributions.	Noted support for Charging Objective 3 and 4

		<p>4. The methodology proposed would reflect changes to connection charges and costs in the DNO's business.</p> <p>However, we think it possible that there could be significant changes to relevant areas (including connections charges) as a result of the processes underway in the industry such as the Charging Futures Forum, and consequently do not believe it is appropriate to progress this change through DCUSA processes at this time.</p>	<p>The Working Group believe this is a valid concern but considered that the CFF has not decided on if this area will be covered off and as such DCP 243 can continue as is.</p>
ESP Electricity	Non-confidential	<p>ESPE would suggest that the only Charging Objective better facilitated by this DCP is DCUSA Charging Objective 3. However, currently the CDCM uses multiple sources of data that contain outdated values within its calculations and therefore ESPE would argue that if one source of data is going to be updated to reflect current values, then all outdated data should be updated, rather than a single source being updated in isolation.</p>	<p>Noted support for Charging Objective 3 only.</p> <p>The Working Group believe that the suggestion by this respondent is outside of scope of the intent of DCP 243. The respondent is free to raise a separate CP if they wish to do so.</p>
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>Charging Objectives three and four are both better facilitated.</p> <p>By updating data annually to appropriate source data, this approach offers improved cost reflectivity, better facilitating objective three, as well as taking into account developments in each DNO's connections policy, thus better facilitating objective four.</p>	<p>Noted support for Charging Objective 3 and 4</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>We agree with the WG – DCUSA Charging Objectives 3 and 4 appear to be better met by implementing DCP243. The use of more recent cost data, regularly reviewed, should be more cost reflective; and it seems to be more efficient means of complying with DNO Licence obligations.</p>	<p>Noted support for Charging Objective 3 and 4</p>

SP Distribution & SP Manweb	Non-confidential	We agree with the working groups view that DCUSA Charging Objectives 3 & 4 would be better facilitated by DCP 243.	Noted support for Charging Objective 3 and 4
UK Power Networks	Non-confidential	Charging Objective 3 & 4 would be better facilitated as a result of this change proposal as the inputs would better reflect the costs incurred.	Noted support for Charging Objective 3 and 4
Western Power Distribution	Non-confidential	Agree with those set out in the consultation document	Noted support for Charging Objective 3 and 4
The Working Group note that six of the seven respondents believe Charging Objectives 3 and 4 would be better facilitated by the implementation of DCP 243. It was noted that the remaining respondent believes that only Charging Objective 3 would be better facilitated by the implementation of DCP 243.			

Company	Confidential/ Anonymous	5. Are you aware of any wider industry developments that have not already been considered by the Working Group that may impact upon or be impacted by this CP?	Working Group Comments
Electricity North West	Non-confidential	<p>The Charging Futures Forum has produced some guidance on which changes should be progressed. The Charging Futures: Coordination guidance states the following factors should be considered:</p> <ul style="list-style-type: none"> • Strategic fit • Consumer impact • Feasibility and other practical considerations • Coordination and sequencing with other changes • Significance or urgency <p>If these changes were to be approved the earliest they could be implemented is 2020/21. This is directly in the space of the Access and Charging Task Force and so we considered it better to progress this through the Task Force. If adjustments for</p>	Noted

		customer contributions are still required following the consideration of the TF then changes could be brought forward at that time with full knowledge of the corresponding changes to connections charges and access rights.	
ESP Electricity	Non-confidential	ESPE agrees with the Working Group's comments that there is crossover with the CFF work programme. The costing model was considered a priority area of development within the Stage 2 report issued by the CDCM Review Group, however as this work has not yet been published ESPE cannot comment whether this CP would complement or hinder the direction taken by the CFF.	Noted
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	The work of the Charging Futures Forum and proposed Forward Looking Charges Task Force are likely to consider this area in due course. Given that customer contributions are a fundamental input in the calculation of the forward looking element of CDCM charges, we would expect the Forward Looking Charges Task Force to consider customer contributions in the round of any other changes to the calculation of forward looking charges, and ultimately to take a view on the appropriateness or otherwise of the use of customer contributions. Whilst we support DCP 243 when considered in isolation, careful consideration will need to be given to timings, with the proposed implementation date of DCP 243 coinciding with the proposed timescales for the implementation of changes resulting from the Forward Looking Charges Task Force.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	At the current time – none that are likely to impact on, or before, the proposed implementation date of 1 April 2020. Beyond that, the current Open Networks review work would be expected to impact on the CDCM in future years.	Noted
SP Distribution & SP Manweb	Non-confidential	No	Noted

UK Power Networks	Non-confidential	The work of the Forward Looking Charges Task Force could make fundamental changes to the methodologies in place. However as this change has been considered by the industry over many years, the work should be concluded and voted upon as a stand-alone component of the current methodology.	Noted
Western Power Distribution	Non-confidential	no	Noted
The Working Group noted that the responses have highlighted respondents' views that the CDCM/EDCM review and the Charging Futures Forum (CFF) work may impact this change. As noted against a response to Question 4 above, the Working Group believe that the concerns are valid but considered that the CFF has not decided on if this area will be covered off and as such DCP 243 can continue as is.			

Company	Confidential/Anonymous	6. Are you supportive of the proposed implementation date of 1 April 2020?	Working Group Comments
Electricity North West	Non-confidential	No, we are concerned that proposed implementation date is directly in the space of the Access and Charging Task Force and that it would be more productive to progress this change through the Task Force.	Noted
ESP Electricity	Non-confidential	ESPE would support this implementation date should the DCP progress.	Noted
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Subject to our comments raised in response to question five on the timeline of DCP 243 with other industry developments, yes we are supportive of this implementation date.	Noted

Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes.	Noted
SP Distribution & SP Manweb	Non-confidential	Yes	Noted
UK Power Networks	Non-confidential	Yes	Noted
Western Power Distribution	Non-confidential	yes	Noted
<p>The Working Group noted that the majority of respondents are supportive of the proposed implementation date of 01 April 2020.</p> <p>It was noted that the one respondent who did not support the implementation date of 01 April 2020 raised a concern regarding the potential conflict between the implementation of changes arising from the Access and Charging Task Forces and DCP 243. The Working Group noted that they have covered off this response when reviewing responses to Questions 4 and 5.</p>			

Company	Confidential/Anonymous	7. Do you have any comments on the legal text drafted by the Working Group?	Working Group Comments
Electricity North West	Non-confidential	29. It's now not appropriate to say that the "DNO party estimates ... [based on] the charging year's connection charging policy" as using the last 5 years of RRP data doesn't reflect future changes to the charging methodology. This paragraph should	The Working Group agreed to obtain legal opinion on the re-wording of paragraph 29 to

		<p>be reworded to reflect this. Perhaps “The DNO Party estimates the extent to which the assets at each network level used by each category of users are expected to be covered by customer contributions based on recent connections activity”.</p> <p>30A a) we believe this could be expressed more clearly to ensure readers of the text understand this is total expenditure on relevant connections activities, and not the total expenditure of the DNO. We would suggest “total expenditure on connections activity”.</p> <p>Possible typo in 30A b) “completely solely”: we believe this might have been intended as “completed solely” but would be better still as “undertaken solely” making clear it is the whole of the activity that is relevant, not just the final completion of it.</p> <p>30B. We believe this term uses insufficiently clear mathematical language as it refers to “taking” which suggests subtraction. This calculation does not involve subtraction. Our suggested wording is (with optional square brackets for additional clarity): “30B. The customer contribution is calculated by dividing [total income from Connection Charges] by [total expenditure on connections activity], and is expressed as a percentage.”</p> <p>The legal text makes no reference to using LV customer contributions as a proxy for LV substation customer contribution, or the method of applying expenditure with an LV job that includes HV work. If the working group wishes to ensure a consistent approach then ideally these approaches should be made explicit by the legal text. In actual fact, literal reading of the legal text might be interpreted as forbidding these approaches as it states “31. The network model is discounted by customer contributions at each network level in the calculation of all tariffs.” New paragraphs before 31 could alternatively read:</p> <p>“30C. Customer contributions for the LV Network and LV Substation network levels of supply should be considered in total and the same customer contribution percentages applied to each for the relevant asset network levels.</p> <p>30D. For connections activities that involve a second network level, expenditure and income should be apportioned equally between any relevant boundary split</p>	<p>confirm if the legal opinion is that the clause is more/less ambiguous to Parties if the change is made.</p> <p>The Working Group noted that if the answer is more ambiguous then the original legal text for this clause will be retained.</p> <p>--</p> <p>Working Group agree to changes suggested for paragraph 30A</p> <p>--</p> <p>Working Group agree to changes suggested for paragraph 30B</p> <p>--</p> <p>--</p> <p>Working Group believe that this suggestion can be included in the user manual and not in the legal text. If the reporting packs do change in the future, there will be no need to raise a CP as the user manual can just be amended allows.</p>
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		<p>level, the connection voltage level and the associated upper voltage level in the calculation of the customer contributions.”</p> <p>The ‘DCP243 Only’ legal text removes some explanative narrative in relation to generators. “In the case of generators, the proportions relate to the notional assets whose construction or expansion might be avoided due to the generator’s offsetting of demand on the network, and takes the same values as for a demand user at the same network level of supply.” It is not clear from the consultation document why this has been done, as under DCP243 Only this seems to remain relevant.</p> <p><u>All the above would result in the following revised legal text (DCP243 Only, changes in bold):</u></p> <p>29. The DNO Party estimates the extent to which the assets at each network level used by each category of users are expected to be covered by customer contributions based on recent connections activity.</p> <p>30. The DNO Party groups users into categories, by network level of supply, for the purpose of making these estimates.</p> <p>30A. For the latest completed five year period, the DNO Party determines:</p> <p>a) total expenditure on connections activity; and</p> <p>b) total income from Connection Charges</p> <p>for connections activities which were undertaken solely by the host DNO (i.e. with no involvement from an Independent Connection Provider), excluding connection schemes for embedded generation.</p> <p>30B. The customer contribution is calculated by dividing [total income from Connection Charges] by [total expenditure on connections activity], and is expressed as a percentage.</p> <p>30C. Customer contributions for the LV Network and LV Substation network levels of supply should be considered in total and the same customer contribution percentages applied to each for the relevant asset network levels.</p>	<p>--</p> <p>The rationale behind the removal of this text is due to the sentence being a statement and a superfluous statement at that. The wording contained within Clause 71 of Schedule 16 covers this area off.</p>
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		<p>30D. For connections activities that involve a second network level, expenditure and income should be apportioned equally between any relevant boundary split level, the connection voltage level and the associated upper voltage level in the calculation of the customer contributions.</p> <p>31. The network model is discounted by customer contributions at each network level in the calculation of all tariffs. In the case of generators, the proportions relate to the notional assets whose construction or expansion might be avoided due to the generator's offsetting of demand on the network, and takes the same values as for a demand user at the same network level of supply.</p>	
ESP Electricity	Non-confidential	N/A	Noted
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	No comments.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No	Noted
SP Distribution & SP Manweb	Non-confidential	No	Noted

UK Power Networks	Non-confidential	We are generally comfortable with the legal text as drafted.	Noted
Western Power Distribution	Non-confidential	no	Noted
The Working Group noted that one respondent had comments on the legal text and that the suggestions were considered by the Working Group and either agreed to include the suggestions or provided reasoning as to why the suggestion was not taken forward.			

Company	Confidential/Anonymous	8. Do you have any further comments?	Working Group Comments
Electricity North West	Non-confidential	<p>We do not believe it is best to progress this change at this time for the reasons stated in our response to question 5.</p> <p>However, we do believe that the proposed solution better meets the DCUSA Charging Objectives than the current methodology, but note that it is not truly forward looking so if connection charging methodology was to change significantly it would take some time to reflect this in the DUoS charges.</p> <p>We do not foresee this being an issue where changes to connection charges are 'gentle' or incremental in nature. However, if future connection charges changed so materially that using historic data would not be properly reflective of costs expected to be incurred by the DNO in the future this would be a greater concern.</p> <p>We believe it is possible that the outcome of the current changes processes in the industry could include fundamental changes to connections charges and other relevant factors so have concerns about implementing this methodology at this time without coordination with the Charging Futures Forum.</p>	Noted, the Working Group agreed that this concern has been covered off when discussing responses to Question 4 and would be subject to a separate CP in the future.
ESP Electricity	Non-confidential	N/A	Noted
Northern Powergrid on	Non-confidential	Not at this time.	Noted

behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc			
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No.	Noted
SP Distribution & SP Manweb	Non-confidential	No	Noted
UK Power Networks	Non-confidential	No	Noted
Western Power Distribution	Non-confidential	no	Noted
The Working Group noted that one respondent had any further comments on DCP 243 and that the concern raised by the respondent had been addressed by the Working Group when covering off responses to Question 4.			