

DCUSA Change Declaration		At what stage is this document in the process?
<h1 data-bbox="124 353 539 443">DCP 311</h1> <h2 data-bbox="124 504 1093 638">Clarification of NUF cap and collar calculations</h2> <p data-bbox="124 660 845 698"><i>Raised on 06 October 2017 as a Standard Change</i></p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p data-bbox="124 786 571 824">Purpose of Change Proposal:</p> <p data-bbox="124 853 1436 1032">The intent of this Change Proposal is to modify schedules 17 and 18 to clarify which years should be used when determining NUF caps and collars to be applied for each charging year, and to remove an additional year lag which has been built into the legal text for the cap and collar calculations for 2023/24 charges.</p>		
	<p data-bbox="240 1115 1436 1234">DCUSA Parties have voted on DCUSA Change Proposal (DCP) 311 with the outcome being a recommendation to the Authority on whether the Change Proposal (CP) should be accepted or rejected.</p> <p data-bbox="240 1294 1241 1332">The DCUSA Parties consolidated votes are provided as Attachment 1.</p>	
	<p data-bbox="240 1361 1444 1444">For DCP 311, DCUSA Parties have voted and recommended to the Authority to determine that:</p> <ul data-bbox="300 1467 1045 1563" style="list-style-type: none"> • the proposed solution should be accepted; and • the implementation date should be accepted 	
	<p data-bbox="240 1601 1085 1639">Impacted Parties: Distribution Network Operators (DNOs)</p>	
	<p data-bbox="240 1713 526 1751">Impacted Clauses:</p> <p data-bbox="240 1774 526 1812">Schedule 17 and 18</p>	

Contents		 Any questions?																				
1	Summary	3																				
2	Governance	3																				
3	Why Change?	4																				
4	Solution	6																				
5	Relevant Objectives	13																				
6	Impacts & Other Considerations	14																				
7	Implementation	14																				
8	Legal Text	16																				
9	Code Specific Matters	16																				
10	Voting	17																				
11	Recommendations	17																				
12	Attachments	18																				
Timeline		 0207 432 3011																				
<p>The timetable for the progression of the CP is as follows:</p> <p>Change Proposal timetable</p> <table border="1"> <thead> <tr> <th>Activity</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Initial Assessment Report Approved by Panel</td> <td>11 October 2017</td> </tr> <tr> <td>Consultation issued to Parties</td> <td>12 February 2018</td> </tr> <tr> <td>Change Report issued to Panel</td> <td>16 May 2018</td> </tr> <tr> <td>Change Report issued for Voting</td> <td>18 May 2018</td> </tr> <tr> <td>Party Voting Ends</td> <td>11 June 2018</td> </tr> <tr> <td>Change Declaration issued to Authority</td> <td>13 June 2018</td> </tr> <tr> <td>Change Declaration Issued to Parties</td> <td>13 June 2018</td> </tr> <tr> <td>Authority Decision</td> <td>11 July 2018</td> </tr> <tr> <td>Implementation Date</td> <td>01 April 2020</td> </tr> </tbody> </table>		Activity	Date	Initial Assessment Report Approved by Panel	11 October 2017	Consultation issued to Parties	12 February 2018	Change Report issued to Panel	16 May 2018	Change Report issued for Voting	18 May 2018	Party Voting Ends	11 June 2018	Change Declaration issued to Authority	13 June 2018	Change Declaration Issued to Parties	13 June 2018	Authority Decision	11 July 2018	Implementation Date	01 April 2020	 Proposer: Andrew Enzor  andrew.enzor@nort hernpowergrid.com
Activity	Date																					
Initial Assessment Report Approved by Panel	11 October 2017																					
Consultation issued to Parties	12 February 2018																					
Change Report issued to Panel	16 May 2018																					
Change Report issued for Voting	18 May 2018																					
Party Voting Ends	11 June 2018																					
Change Declaration issued to Authority	13 June 2018																					
Change Declaration Issued to Parties	13 June 2018																					
Authority Decision	11 July 2018																					
Implementation Date	01 April 2020																					
		 07834 618994																				

1 Summary

What?

- 1.1 The existing legal text is not clear regarding which years of data should be used when calculating Network Use Factor (NUF) caps and collars for use in the Extra High Voltage (EHV) Distribution Charging Methodology (EDCM).
- 1.2 There is also an additional year lag built into the three-year average used to calculate cap and collar NUFs for 2023/24 – 2025/26 charges over the preceding three-year period, which should be removed.

Why?

- 1.3 As it stands, the legal text which determines which years' data should be used when calculating NUF caps and collars is open to a number of interpretations, and in fact appears to be a mixture of the three; namely:

Interpretation A: The year being referenced is the charging year;

Interpretation B: The year being referenced is the data year on which the NUFs are based; or

Interpretation C: The year in which the NUFs were calculated.

- 1.4 Clarity is required to ensure that all DNOs use the average of the same three years when caps and collars are calculated for 2020/21 charges (in 2018), and so to ensure that the intent of the methodology is reflected in the data used.
- 1.5 The latest available data should be used to ensure cost-reflectivity of charges, and hence the additional year lag for 2023/24 – 2025/26 charges should be removed to maintain cost-reflectivity.

How?

- 1.6 Amend paragraph 18 of both schedules 17 and 18 which deals with the calculation of NUF caps and collars by clarifying the process to be adopted and future proofing it to avoid a further change proposal (CP) being required (which would be necessary for 2026/27 charges as the current legal text only caters for up to charging year 2025/26).
- 1.7 Amend the table numbers within both schedules due to the removal of some of them by this CP. The approach to the renumbering being that it future proofs any further amendments by making the reference the same as the paragraph number.

2 Governance

Justification for Part 1 Matter

- 1.1 DCP 311 is classified as a Part 1 matter and therefore will go to the Authority for determination after the voting process has completed.
- 1.2 The first part of DCP 311 is very much a clarification of what data is to be used (i.e. interpretation A, B or C as detailed in paragraph 1.3), however the second part of DCP 311 changes the years used to calculate the tariffs associated with each charging year (three distinct years rather than the last year of a set of three being the first year of the next set of three) and as such impacts customers and competition (DCUSA Paragraph 9.4.1 and 9.4.2).

3 Why Change?

Background of DCP 311

Network Use Factors (NUFs)

- 3.1 NUFs are numerical values calculated for each network level for each EDCM connectee, and represent the proportion of the average assets which that connectee is deemed to use at that network level.
- 3.2 Distribution Network Operators (DNOs) calculate NUFs on an annual basis, using the same loadflow model which is used for the determination of Long Run Incremental Cost (LRIC) or Forward Cost Pricing (FCP) inputs (i.e. 'charge one') to the EDCM.
- 3.3 A DNO is required to give 15 months' notice of a change to its Use of System charges. Hence Use of System charges for 2020/21 will be published at the end of 2018. DNOs will, in the course of 2018, use their loadflow models to calculate NUFs to be used for 2020/21 charges.
- 3.4 Each DNO's loadflow model represents its entire EHV network and includes all reinforcement, replacement, diversion and new connection works that are anticipated to be constructed and operational at the time of maximum demand in the year for which the Use of System Charges are being calculated.
- 3.5 In order to calculate powerflows through each branch of the network model, the DNO is required to estimate the peak demand at each node. The demand data in the model is estimated for the year for which charges are being calculated, based on actual recorded network data collected by the DNO. DNOs typically use data for the most recently completed year for this purpose, i.e. for Use of System charges for 2020/21 which are calculated in 2018, DNOs will typically use data from 2017/18.

3.6 NUF caps and collars are calculated once every three years, and are determined by taking three years of NUF data for all DNOs and finding the 15th percentile (for the collar value) and 85th percentile (for the cap value) at each network level.

Ambiguity of Years

3.7 As described above, NUFs used in Use of System charges for 2020/21 will be calculated between April 2018 and December 2018 (i.e. within 2018/19) based on data from 2017/18. This leads to the potential for ambiguity where, for example, legal text states the data to be used for calculating caps and collars should be '2020/21 NUFs'. This could be interpreted as:

- NUFs used in 2020/21 charges, i.e. NUFs used in 2020/21 charges, calculated in 2018/19 and based on 2017/18 data (aligned with interpretation A detailed in paragraph 1.3)
- NUFs based on 2020/21 data, i.e. NUFs used in 2023/24 charges, calculated in 2021/22 and based on 2020/21 data (aligned with interpretation B detailed in paragraph 1.3)
- NUFs calculated in 2020/21, i.e. NUFs used in 2022/23 charges, calculated in 2020/21 and based on 2019/20 data (aligned with interpretation C detailed in paragraph 1.3)

3.8 Whilst interpretation A is by far the most logical, the legal text for determining which years should be used for cap and collar calculations would result in inconsistent treatment from year to year if this interpretation were applied to all years.

3.9 This CP has been raised due to the potential to have differing interpretations of the table associated with clause 18.8 in both Schedule 17 and 18 of DCUSA when determining the average NUFs to be used (Attachment 3). Below are examples of the Proposer's view associated with various year periods as presented in the original CP. Clarification of the legal text would be helpful to ensure consistency when determining the NUF cap and collar values.

2014/15 – 2016/17

3.10 The existing legal text states that for charging years 2014/15 – 2016/17, the average of 2011/12, 2012/13 and 2013/14 NUFs should be used. It is not clear whether this refers to NUFs calculated based on 2011/12, 2012/13 and 2013/14 data [interpretation B]; or calculated based on NUFs used for 2011/12, 2012/13 and 2013/14 charges setting [interpretation A]. However, given 2014/15 charges were set in December 2013 (i.e. partway through 2013/14), 2013/14 data would not have been available, and hence the proposal asserted that this legal text would only be feasible if it refers to NUFs used for 2011/12, 2012/13 and 2013/14 charges [interpretation A].

2017/18 – 2019/20

3.11 The existing legal states that for charging years 2017/18 – 2019/20, 2015/16 caps/collars as per table 6A or 22A (for schedule 17 and 18 respectively) should be used. The proposal asserts that this cannot refer to NUFs based on 2015/16 data [interpretation B], as 2017/18 charges were set in December 2015 (partway through 2015/16), but also does not refer to NUFs used for 2015/16

charges [interpretation A] as these were based on the pre-DCP 138¹ NUF calculation methodology. The proposal recommends that legal text should be clarified to show that these NUFs are based on applying the post-DCP 138 methodology to data used for 2015/16 charges.

2020/21 – 2022/23

3.12 The existing legal text states that for charging years 2020/21 – 2022/23, the average of 2015/16, 2016/17 and 2017/18 NUFs should be used. If this were to follow the interpretation presented in the proposal in respect of 2014/15 – 2016/17 [interpretation A], the caps and collars would be calculated on out of date data, and on a mixture of NUFs calculated based on the pre-DCP 138 (2015/16 and 2016/17) and post-DCP 138 (2017/18) methodologies. Hence the proposal asserts that this intends to refer to NUFs calculated based on 2015/16, 2016/17 and 2017/18 data [interpretation B], which were/will be used for 2018/19, 2019/20 and 2020/21 charges respectively. The proposal recommends that legal text should be updated to ensure that this is not open to interpretation.

2023/24 – 2025/26

3.13 The existing legal text states that for charging years 2023/24 – 2025/26, the average of 2017/18, 2018/19 and 2019/20 NUFs should be used. Following the interpretation presented in the proposal as established for 2020/21 – 2022/23, this would be interpreted as NUFs calculated based on 2017/18, 2018/19 and 2019/20 data [interpretation B], which will be used for 2020/21, 2021/22 and 2022/23 charges respectively. The proposal recommends that legal text should be updated to ensure that this is not open to interpretation. The proposal also recommends that additional year lag which has been built in for 2023/24 charges should also be removed, i.e. the caps and collars should be calculated based on NUFs used for 2021/22, 2022/23 and 2023/24 charges, which will be the most up to date data available at the time of setting charges.

4 Solution

DCP 311 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 311. This Working Group consists of DNO representatives and an Ofgem observer. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 4.2 The Working Group discussed the two interpretations of the years presented in Schedule 17 table 7 and Schedule 18 table 23 for years 2020/21 onwards which the Proposer asserts could be applied (namely that the years refer to the charging year to which the NUFs in question were applied being interpretation A as detailed in paragraph 1.3, or the data year on which the NUFs calculated were based being interpretation B), and concluded that there is a third interpretation –

¹ [DCP138 – Implementation of alternative NUF calculation method in the EDCM](#)

that the years refer to the year in which the NUFs were calculated (being interpretation C), i.e. that 2020/21 caps and collars should be based on the average of NUFs which were calculated in 2015/16, 2016/17 and 2017/18.

- 4.3 Interpretation C however presents another flaw in the legal text as drafted, being that two sets of NUFs were calculated in 2015/16 (for 2016/17 charges providing three months' notice as required for a change to charges up to and including 2016/17, and for 2017/18 charges providing 15 months' notice as required for a change to charges from 2017/18 onwards) and it is not specified which should be used. The Working Group noted that a logical approach would be to use the latter set (i.e. those used for 2017/18 charges) as DCP 138 was implemented on 1 April 2017 and so this approach would ensure that NUFs were calculated on a consistent basis for the three years being used for the average.
- 4.4 A Working Group member expressed concern that if the Proposer's original preferred interpretation were taken forward (i.e. interpretation B), cap and collar NUFs to be used for (for example) 2020/21 charges could only be calculated once all DNOs had calculated their individual NUFs to apply to 2020/21 charges. The differing timescales to which each DNO works render this unfeasible, as some calculate NUFs late in the year and so do not leave time for the caps and collars to be calculated after the final DNO has submitted their data.
- 4.5 The Working Group discussed the three interpretations, and unanimously agreed that interpretation C should be applied to the existing legal text to enable caps and collars to be calculated in a timely manner on up to date data.
- 4.6 Given the challenge in interpreting the legal text, the Working Group also discussed how the text could be improved in order to avoid similar ambiguity in the future. It was agreed that the proposed approach for the updated legal text of referring to NUFs which were calculated for the charges which apply to a given year was appropriate, and that the legal text should be amended accordingly. For example, where the existing legal text states the '2017/18 NUFs' should be used, interpretation C will be applied (namely NUFs which were calculated in 2017/18), and the updated legal text will refer to 'NUFs used in 2019/20 charges'.
- 4.7 The legal text was amended on this basis, and so under DCP 311, caps and collars for 2020/21 will be calculated based on the NUFs used for 2017/18, 2018/19 and 2019/20 charges and so on every three years thereafter.
- 4.8 The Working Group also discussed whether it was appropriate to amend clauses which specifically relate only to past charging years. It was agreed that it would be more appropriate for the legal text to be explicitly clear on the requirements going forward, and that in order to achieve this clarity, clauses which specifically relate only to previous years should be removed, i.e. tables 5 and 23 from Schedules 17 and 18 respectively. In addition, the Working Group agreed that the legal text adopted should implement the solution on an enduring basis, where at present the table included within the legal text ends with charges for 2025/26 and does not specify the requirements for future years.

- 4.9 The Working Group agreed that the amended solution should create a consistent approach for all years from 2020/21, which is the first year for which the clarification the CP looks to achieve is required. Hence it was agreed that all clauses relating to cap and collar calculations in respect of charging years up to and including 2019/20 will be removed. As a result, the proposed implementation date of the first release following Authority consent (as recommended in the original CP) is no longer appropriate, and if approved, the change should be implemented to take effect when setting charges from 01 April 2020, the rationale for this being that charges for years up to and including 2019/20 have already been published, with the next publication being for charges effective from 01 April 2020.

DCP 311 Consultation

- 4.10 The Working Group carried out a consultation (Attachment 4) to give DCUSA Parties an opportunity to review and comment on changes being proposed.
- 4.11 The consultation was issued on 12 February 2018 and there were five responses received. The Working Group discussed each response and its comments are summarised alongside the collated consultation responses in Attachment 4.
- 4.12 The five respondents all agreed that, in regard to the first two questions, they understood the intent and the principles of the change. A summary of the responses to the remaining questions, and the Working Group's conclusions are set out below.

Question 3: Are you aware of any reason why there is only a two year jump between the charging years 2020/21 – 2022/23 and 2023/24 – 2025/26 instead of a three-year jump which was introduced by DCP138? If yes, then please provide your rationale.

- 4.13 No respondents were able to provide the reasoning behind why there is only a two-year jump between the charging years 2020/21 – 2022/23 and 2023/24 – 2025/26 instead of a three-year jump which was introduced by DCP 138. However, one respondent believes the discrepancy occurred as a result of a legal text drafting error introduced by DCP 138.

Question 4: Do you agree with the Working Group decision to remove legal text clauses which relate to previous years (i.e. years up to and including charging year 2019/20)?

- 4.14 There was unanimous support from respondents to remove legal text clauses which relate to previous years.

Question 5: Do you agree with the Working Group approach to implement an enduring solution in the legal text which doesn't refer to specific years?

- 4.15 All bar one respondent agreed with the approach to make this change enduring. The respondent who disagreed accepted that this approach was more effective, stating that *“removing all references to the cap/collar used in the EDCM may be counterintuitive to trying to be as clear/transparent as possible in the methodology. This table would only require updating every three years when a new average of the previous charging years was calculated”*.
- 4.16 The Working Group has addressed this concern below.

Question 6: Do you agree with the overall solution proposed by the Working Group?

- 4.17 The response to this question mirrored that of question 5 with the only concern being that raised in response to that question.

Question 7: Do you consider that the proposal better facilitates the DCUSA charging objectives? Please give reasons to support your answer.

- 4.18 All respondents agreed that the DCUSA Charging Objectives would be better facilitated. Four respondents believed DCP 311 better facilitated Charging Objectives one and three. Three respondents believed DCP 311 better facilitated Charging Objective six. One respondent supported DCP 311 but gave no indication as to the Charging Objectives.
- 4.19 The respondents quoted the following rationale for their decision:
- **Charging Objective One** by ensuring that DNOs are able to comply with the legal text of the DCUSA;
 - **Charging Objective Three** by removing an unnecessary year lag in the calculation of NUF caps and collars, and so ensure that the latest and most up to date available network data is used when setting charges; and
 - **Charging objective Six** by ensuring that the legal text is unambiguous, and the calculation of caps and collars in 2018 for use in 2020/21 charges can be carried out efficiently.

Question 8: Are you aware of any wider industry developments that may impact upon or be impacted by this Change Proposal?

4.20 All respondents did not believe that this change impacts any wider industry developments. One respondent stated that *“whilst this change is being implemented at a time of significant change in the industry (for example the Targeted Charging Review and work of the Charges Futures Forum Task Forces), the change is predominantly focussed on improving ambiguous legal drafting and so ensuring DNOs can maintain the status quo whilst also remaining DCUSA compliant. Hence we do not believe this change impacts on the more fundamental ongoing industry developments including any current Significant Code Review and the Targeted Charging Review, are impacted by this change proposal”*.

Question 9: The proposed implementation date is 01 April 2020. Do you agree this is appropriate? If not, why not?

4.21 There was unanimous support from respondents to the 01 April 2020 implementation date.

Question 10: Do you have any comments on the legal drafting?

4.22 There were three concerns identified by respondents. One was quoted within a response to question 5 regarding future proofing the change. The other two referred to paragraph 18.6, the first respondent indicating that the text should make it clear that the calculation of NUFs do not need to be undertaken in December and the second respondent suggested an amendment to the paragraph to aid clarity.

Working Group Conclusions

4.23 The Working Group agreed that parties understood the intent and the principles of the change and that sufficient information was available to determine the progression of the CP and by when.

4.24 The areas for further consideration, based on the information received were to:

- Consider the future proofing concern; and
- Review the legal text as a consequence of the above and the comments made in response to the consultation.

4.25 The Working Group discussed the concern raised over the removal of the tables from the legal text and whether their removal may result in lack of clarity. The Working Group agreed that it may be more pragmatic and more cost effective to future proof the legal text but also to provide a worked example within the change report and place an obligation within the schedules on DNOs to maintain the calculated values and reference them within the EDCM user manual.

Worked Example

- 4.26 The following paragraphs give a worked example of the legal text being enacted.
- 4.27 Paragraph 18.6 – the caps and collars are calculated every three years. The last time this was done was in 2015 for tariffs in charging years 2017/18, 2018/19 and 2019/20. So the next time they will be calculated will be in 2018 for tariffs in charging years 2020/21, 2021/22 and 2022/23.
- 4.28 Paragraph 18.7 – the NUFs that are to be used when calculating the cap and collars for the tariffs for the next three years (i.e. in December 2018 for tariff years 2020/21, 2021/22 and 2022/23) will be the NUFs that were used in calculating the charges for years 2017/18, 2018/19 and 2019/20.
- 4.29 For example, where year t is 2020/21, this would give the following:

Calculation Year	Charging Year to which caps and collars will be applied	Charging Years from which NUFs caps and collars will be calculated (i.e. NUFs used in the calculation of charges for that year)	For the avoidance of doubt, this relates to NUFs based on data from:	For the avoidance of doubt, this relates to NUFs calculated in:
2018	2020/21 (t)	2017/18 (t-3) 2018/19 (t-2) 2019/20 (t-1)	2014/15 2015/16 2016/17	2015/16 2016/17 2017/18
	2021/22 (t+1)	2017/18 (t-3) 2018/19 (t-2) 2019/20 (t-1)	2014/15 2015/16 2016/17	2015/16 2016/17 2017/18
	2022/23 (t+2)	2017/18 (t-3) 2018/19 (t-2) 2019/20 (t-1)	2014/15 2015/16 2016/17	2015/16 2016/17 2017/18

4.30 For example, where year t is 2023/24, this would give the following:

Calculation Year	Charging Year to which caps and collars will be applied	Charging Years from which NUFs caps and collars will be calculated (i.e. NUFs used in the calculation of charges for that year)	For the avoidance of doubt, this relates to NUFs based on data from:	For the avoidance of doubt, this relates to NUFs calculated in:
2021	2023/24 (t)	2020/21 (t-3) 2021/22 (t-2) 2022/23 (t-1)	2017/18 2018/19 2019/20	2018/19 2019/20 2020/21
	2024/25 (t+1)	2020/21 (t-3) 2021/22 (t-2) 2022/23 (t-1)	2017/18 2018/19 2019/20	2018/19 2019/20 2020/21
	2025/26 (t+2)	2020/21 (t-3) 2021/22 (t-2) 2022/23 (t-1)	2017/18 2018/19 2019/20	2018/19 2019/20 2020/21

4.31 The table below is the format of the table currently in Schedule 17 and 18. The Working Group recommends that the DNOs consider using this format in the EDCM user manual in order to meet their obligation created by DCP 311 that 'the NUF caps and collars...will be...referenced within the EDCM user manual'. The values will then need to be updated thereafter every three years.

Network use factor caps and collars (for charging year 2020/21 – 2022/23)

Network Levels	Collar	Cap
132kV		
132kV/EHV		
EHV		
EHV/HV		
132kV/HV		

- 4.32 The Working Group then discussed the concern surrounding the legal text on paragraph 18.6. It was agreed that the reference to December should be removed since the NUFs do not need to be calculated in December, they can be done sooner, but they would need to be available for the production of the tariffs.
- 4.33 The final point on the same paragraph related to the structure of the sentence rather than a material concern. The Working Group agreed to the amendment.
- 4.34 The Working Group concluded that the CP should now move into the change report stage.

5 Relevant Objectives

Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA CP to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are five General Objectives and six Charging Objectives. This CP impacts the Charging Objectives.
- 5.2 The Working Group unanimously considers that the DCUSA Charging Objectives are better facilitated by DCP 311, with the impact on each shown in the table below
- 5.3 The Working Group unanimously considered that the rest of the DCUSA Charging Objectives are neutral as a consequence of this change proposal.

Impact of the CP on the Relevant Charging Objectives:

Relevant Charging Objective	Identified impact
Charging Objective One: that compliance by each DNO Party with the Charging Methodologies facilitates the discharge	<i>Positive, by ensuring that DNOs are able to comply with the legal text of</i>

by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	<i>the DCUSA</i>
Charging Objective Two: 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)	<i>Neutral</i>
Charging Objective Three: 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	<i>Positive, by removing an unnecessary year lag in the calculation of NUF caps and collars, and so ensure that the latest and most up to date available network data is used when setting charges</i>
Charging Objective Four: 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	<i>Neutral</i>
Charging Objective Five: 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.	<i>Neutral</i>
Charging Objective Six: that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	<i>Positive, by ensuring that the legal text is unambiguous, and the calculation of caps and collars in 2018 for use in 2020/21 charges can be carried out efficiently. Also the approach to future proofing this change to avoid further changes both to caps and collar updates and the table referencing is a more efficient approach and avoids further CPs being raised</i>

6 Impacts & Other Considerations

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

- 6.1 The Working Group believes that DCP 311 is not related to the Targeted Charging Review SCR or other CPs in other codes.

Consumer Impacts

- 6.2 This CP will have no impact on tariffs up to and including charges for 2022/23. This is because the legal text amendments made for years up to and including 2022/23 are for consistency and clarification only.
- 6.3 This CP will have an impact on tariffs from 2023/24. The impact on 2023/24 cannot be determined until NUFs for all of 2019/20 – 2022/23 have been calculated. At present, only those for 2019/20 (being the latest year for which charges have been published) have been calculated, so a detailed impact analysis cannot be completed. It is the Working Group's understanding that the lag in the dates within the current legal text was an unintended consequence of DCP 138, and so arguably this change could be seen simply as a 'housekeeping' correction to legal text.
- 6.4 In general terms, the impact of a change to NUF caps and collars will impact customers in the following ways:
- **Demand dominated customers with NUFs between the cap and collar values** (which is most demand dominated customers across GB) – no impact as the caps and collars only take effect in the calculation of demand tariffs if the site specific NUFs are outside of the cap and collar range.
 - **Demand dominated customers with NUFs below the collar values** – such sites will have collar NUFs assigned for the purpose of demand scaling. If the collars are lower as a result of this CP, demand scaling will be proportionally lower for these customers; conversely if the collars are higher as a result of this CP, demand scaling will be proportionally higher for these customers.
 - **Demand dominated customers with NUFs above the collar values** – such sites will have cap NUFs assigned for the purpose of demand scaling. If the caps are lower as a result of this CP, demand scaling will be proportionally lower for these customers; conversely if the caps are higher as a result of this CP, demand scaling will be proportionally higher for these customers,
 - **Generation dominated customers** – all generation dominated customers are assigned collar NUFs. NUFs only impact demand charges, and so will have very little impact for a generator with a small import capacity (as their demand charges will be low) and a larger impact for a generator with a large import capacity. If the cap values are lower, demand charges for generators will be proportionally lower; conversely if the cap values are higher, demand charges for generators will be proportionally higher.

Environmental Impacts

- 6.5 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 311 was implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Engagement with the Authority

- 6.6 Ofgem has been fully engaged throughout the development of DCP 311 as an observer of the Working Group.

7. Implementation

- 7.1 The proposed implementation date for DCP 311 is 01 April 2020.

8. Legal Text

- 8.1 The legal text sets out the amendments made to Schedule 17 and 18, paragraphs 18.6, 18.7 and 18.8 with minor housekeeping changes to 18.3 and 18.5.
- 8.2 Paragraph 18.6 – this paragraph future proofs the change by stating that the caps and collars are calculated every three years. It states when the last one was done and what to use when a calculation is not undertaken.
- 8.3 Paragraph 18.7 – this paragraph explains how to associate the calculated caps and collars to each charging year.
- 8.4 Paragraph 18.8 – this places an obligation on DNOs to reference the calculated cap and collar values within the EDCM user manual.
- 8.5 This CP removes tables from each schedule resulting in the tables being non sequential. Following legal review all the table numbers within both schedules have been amended to reference the paragraph number, and where there are two to add “A” after the second e.g. Table 1 within Paragraph 3.4 is now Table 3.4. This should future proof any further inclusion or removal of tables by following the same table numbering approach.
- 8.6 The legal text for DCP 311 has been reviewed by the DCUSA legal adviser and is provided as Attachment 1.

9. Code Specific Matters

Modelling Specification Documents

- 9.1 Not applicable

Reference Documents

9.2 Not applicable

10. Voting

10.1 The DCP 311 Change Report was issued to DCUSA Parties for voting on 18 May 2018.

Part 1 Matter: Authority Decision Required

DCP 311: Proposed Variation (Solution)

10.2 For the majority of the Parties that were eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the proposed variation was more than 50%.

10.3 DCUSA Parties' have voted and recommend to the Authority to determine that the proposed solution is accepted for DCP 311.

DCP 311: Implementation Date

10.4 For the majority of the Parties that were eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the implementation date was more than 50%.

10.5 DCUSA Parties' have voted and recommend to the Authority to determine that the implementation date is accepted for DCP 311.

The table below sets out the outcome of the votes that were received in respect of the DCP 311 Change Report that was issued on 18 May 2018 for a period of 15 working days.

DCP 311	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
CHANGE SOLUTION	Accept	n/a	Accept	n/a	n/a
IMPLEMENTATION DATE	Accept	n/a	Accept	n/a	n/a

11. Recommendations

DCUSA Parties Recommendation

11.1 DCUSA Parties have voted on DCP 311 and in accordance with Clause 13.5 of the DCUSA, recommend to the Authority to determine that the Change Proposal be accepted and thus that the proposed variation to the DCUSA should be made.

12. Attachments

- Attachment 1 – DCP 311 Consolidated Party Votes
- Attachment 2 – DCP 311 Legal Text
- Attachment 3 – DCP 311 Change Proposal
- Attachment 4 – DCP 311 Consultation Documents