

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?				
<h1>DCP 343:</h1> <h2>Use of a nominated calculation agent for the calculation of the LV mains split</h2> <p><i>Insert date raised:</i> 12th February 2019</p> <p><i>Proposer Name:</i> Andrew Enzor</p> <p><i>Company Name:</i> Northern Powergrid</p> <p><i>Company Category:</i> DNO</p>		<table border="1"> <tr> <td>01 – Change Proposal</td> </tr> <tr> <td>02 – Consultation</td> </tr> <tr> <td>03 – Change Report</td> </tr> <tr> <td>04 – Change Declaration</td> </tr> </table>	01 – Change Proposal	02 – Consultation	03 – Change Report	04 – Change Declaration
01 – Change Proposal						
02 – Consultation						
03 – Change Report						
04 – Change Declaration						
<p>Purpose of Change Proposal:</p> <p>The intent of this change proposal is to remove the need for the procurement of a nominated calculation agent for the purpose of calculating the 'LV mains split' and to make minor associated housekeeping changes.</p>						
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> • Treated as a Part 2 Matter; • Treated as a Standard Change; and • Proceed to a Working Group. <p>The Panel will consider the proposer's recommendation and determine the appropriate route.</p>					
	<p>Impacted Parties:</p> <p>DNOs and IDNOs.</p>					
	<p>Impacted Clauses:</p> <p>Clause 42 'Metering Equipment and Data'. Schedule 29, paragraphs 33 and 34.</p>					

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Indicative Timeline	
The Secretariat recommends the following timetable:	
Initial Assessment Report	20 February 2019
Consultation Issued to Industry Participants	TBD
Change Report Approved by Panel	15 May 2019
Change Report issued for Voting	17 May 2019
Party Voting Closes	10 June 2019
Change Declaration Issued to Parties	12 June 2019

 Any questions?

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1 Summary

What?

- 1.1 Schedule 29 details the calculation of Licensed Distribution Network Operator (LDNO) discounts. The calculation requires an 'HV split' and 'LV mains split' percentage to be determined. Clause 42.13 requires DNOs to annually procure a nominated calculation agent (NCA) for the calculation of those percentages.
- 1.2 The 'HV split' value used is an industry average. The calculation uses commercially sensitive input data from each DNO and LDNO. The NCA is used to ensure that such data remains confidential.
- 1.3 The 'LV mains split' value used is specific to each DNO licensee. DNOs have access to all of the input data required for the calculation so there is no need for the NCA.

Why?

- 1.4 The use of an NCA is inefficient. The NCA typically charges for its services, and submissions to the NCA are required from all DNOs and all LDNOs. All of the information required for the 'LV mains split' is available to DNOs, so the input values required can be prepared in the same way as all other inputs to the charging models. There is no need for an NCA to be used.

How?

- 1.5 Clause 42.12 and 42.13 require DNOs to procure an NCA and for DNOs and LDNOs to provide data to that NCA for the calculation of both the 'HV split' and 'LV mains split'. Those clauses will be amended to apply only for the calculation of the 'HV split'.
- 1.6 Paragraphs 33 and 34 of Schedule 29 detail the calculation which the NCA is required to perform to determine the 'LV mains split'. Those paragraphs will be amended to require DNOs to carry out this calculation and will be clarified to ensure commonality is maintained without use of an NCA.

2 Governance

Justification for Part 2 Matter

- 2.1 This change affects Schedule 29 which is part of the charging methodologies. But there will be no impact on LDNO discounts determined in accordance with Schedule 29 and so no impact on all-the-way tariffs. Hence it is not considered to meet any of the criteria for a Part 1 Matter.

Requested Next Steps

- 2.2 This Change Proposal should be treated as a Part 2 Matter, as a Standard Change and proceed to a Working Group. The Definition Procedure is considered necessary as there are points of detail to be agreed, most notably on the precise source DNOs should use for customer counts and the requirements for DNOs to confirm the values used with IDNOs.

3 Why Change?

Use of the NCA

- 3.1 Clause 42.13 requires DNOs to annually procure an NCA for the calculation of the 'HV split' and 'LV mains split' percentages. The 'LV mains split' value used is specific to each DNO licensee. The calculation requires:
1. the total length of a DNO's LV mains used by LV-connected embedded networks. This is currently provided to the NCA by DNOs based on information held in DNO's internal systems;
 2. the number of end users on LV-connected embedded networks within a DNO's Distribution Services Area. This is currently provided to the NCA by LDNOs; and
 3. the average length of LV mains by LV end user on the DNO Party's own LV network. This is currently provided to the NCA by DNOs based on information on network lengths submitted to

Ofgem in the most recent Regulatory Reporting Pack (RRP) and the DNO's total LV customer count.

- 3.2 The use of an NCA is inefficient. The NCA typically charges for its services, and submissions to the NCA are required from all DNOs and all LDNOs.
- 3.3 The only input data which is not provided by DNOs is the count of end users on LV-connected embedded networks. But DNOs have access to this information in data received through Settlement for invoicing purposes. This is received on the D0314 'Non Half Hourly Embedded Network DUoS Report' which includes customer counts by line loss factor class (LLFC). The LLFC encodes the end customer type and DNO to LDNO boundary voltage. Provided the legal text is clear on which information the DNO should use for deriving customer counts then there is no need for the NCA.
- 3.4 The customer counts used should align with the network length data used. This is because it is used to determine the average network length per customer – if the two do not align the average will be distorted. The network length data is taken from the latest RRP, so is as at the end of the most recently completed regulatory year. The customer counts should also be taken as at that date. A Working Group should consider whether the precise D0314 flow to be used is specified (i.e. which reconciliation).
- 3.5 Under current arrangements, each IDNO submits its own customer numbers to the NCA. A Working Group should consider whether there is a need for DNOs to confirm the customer counts used with each IDNO, or whether an IDNO should have the option to request the customer counts which have been used for their own portfolio. As drafted, the proposed legal text does not make such a provision. It is the total IDNO customer count across all licensees which impacts the 'LV mains split' calculated and so there is limited value in each IDNO having sight of the customer counts used for their own portfolio.

Housekeeping Changes

- 3.6 Clauses 42.12 and 42.13 refer to the definitions of the 'HV split' and 'LV mains split' in Schedule 16. Since the implementation of DCP 234 'Merging the PCDM and extended PCDM' these values have been defined in Schedule 29. Hence this reference will be updated.
- 3.7 Clauses 42.12 and 42.13 require DNO and LDNOs to provide data to the NCA in October. This is unnecessarily restrictive; hence will be amended to 'no later than the end of October'.

4 Solution and Legal Text

Legal Text

- 4.1 Changes are needed to Clauses 42.12, 42.13 and paragraphs 33 and 34 of Schedule 29.

Clause 42:

- 4.2 Amend Clause 42.12 as follows:

"The User shall (if it is an IDNO Party) provide to the Nominated Calculation Agent such data concerning each of the User's Systems as may reasonably be requested in order that the Nominated Calculation

Agent can calculate the "HV split" ~~and/or the "LV mains split"~~ (as ~~each such expression is~~ defined in Schedule ~~4629~~). The User shall provide such data ~~during~~ ~~no later than the end of~~ October each year, and shall provide such data in such reasonable format as the Nominated Calculation Agent may request.

4.3 Amend Clause 42.13 as follows:

The Company shall (if it is a DNO Party):

- procure that the Nominated Calculation Agent is appointed on terms that require the Nominated Calculation Agent to keep the information disclosed to it pursuant to Clause 42.12 and this Clause 42.13 confidential, and to not use such information for any purpose other than calculation of the "HV split" ~~and/or the "LV mains split"~~ (as ~~each such expression is~~ defined in Schedule ~~4629~~); and
- provide to the Nominated Calculation Agent such data concerning each of the Company's Systems as may reasonably be requested in order that the Nominated Calculation Agent can calculate the "HV split" ~~and/or the "LV mains split"~~ (as ~~each such expression is~~ defined in Schedule ~~4629~~). The Company shall provide such data ~~during~~ ~~no later than the end of~~ October each year, and shall provide such data in such reasonable format as the Nominated Calculation Agent may request.

Schedule 29

4.4 Amend clause 33 as follows:

~~"The DNO Party will procure that the Nominated Calculation Agent estimates for the DNO Party's Distribution Services Area the proportion of theits LV mains which LV-connected embedded networks are deemed to use by:~~

- ~~a) determining the total length of its LV mains used by LV-connected embedded networks;~~
- ~~b) dividing that total length by the number of end users on LV-connected embedded networks; and~~
- ~~c) dividing the result by the average length of LV mains by LV end user on the DNO Party's own LV network."~~

4.5 Amend clause 34 as follows (note RRP is a defined term in Schedule 16, from which Schedule 29 also takes definitions):

~~"The estimates will be based on available data provided by DNO Parties and IDNO Parties network data submitted in the most recent RRP where possible, and customer counts as represented in Settlements data at the end of the most recent completed regulatory year."~~

Text Commentary

- 4.6 The legal text removes references to the NCA for the calculation of the 'LV mains split'. Changes are made to the specification of data required for that calculation in Schedule 29 to ensure commonality across all DNOs without use of an NCA.

5 Code Specific Matters

Reference Documents

- 5.1 n/a

6 Relevant Objectives

DCUSA Charging Objectives	Identified impact
<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	None
<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
<input checked="" type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive

Charging objectives one to five: no impact – tariffs will not be impacted by this change, so there is no impact on licence requirements, competition, cost-reflectivity, developments in DNO's businesses or cross-border exchange.

Charging objective six: positive impact – this change will reduce the costs incurred by DNOs in procuring the NCA and improve efficiency for both DNOs and LDNOs by enabling DNOs to carry out the calculation of the 'LV mains split' internally.

7 Impacts & Other Considerations

7.1 This change will have a positive impact on DNOs by reducing the costs incurred in procuring the NCA. It will also have a positive impact on LDNOs by reducing the amount of data required to be provided to the NCA.

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

7.2 There is no impact on any existing or anticipated SCR.

Does this Change Proposal Impact Other Codes?

No other codes are impacted by this change proposal.

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

Consideration of Wider Industry Impacts

7.3 n/a

Confidentiality

7.4 n/a

8 Implementation

8.1 The proposed changes should be implemented as soon as possible to avoid the inefficient use of an NCA for the calculation of 2021/22 charges.

Proposed Implementation Date

8.2 If approved, this change should be implemented in the next DCUSA release.

9 Recommendations