

DCUSA Change Report		At what stage is this document in the process?
<h1 data-bbox="124 353 550 448">DCP 343</h1> <h2 data-bbox="124 488 1082 694">Use of a Nominated Calculation Agent for the calculation of the LV mains split</h2> <p data-bbox="124 716 858 757"><i>Raised on 12 February 2019 as a Standard Change</i></p>		<p data-bbox="1187 349 1350 412">01 – Change Proposal</p> <p data-bbox="1187 474 1414 501">02 – Consultation</p> <p data-bbox="1187 568 1350 631">03 – Change Report</p> <p data-bbox="1187 676 1350 739">04 – Change Declaration</p>
<p data-bbox="124 855 571 891">Purpose of Change Proposal:</p> <p data-bbox="124 913 1430 1025">The intent of DCP 343 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 data-bbox="225 1066 1430 1178">This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 343 – Use of a nominated calculation agent for the calculation of the LV mains split.</p> <p data-bbox="225 1200 1398 1312">DCP 343 is considered a Part 1 matter and Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by 16 September 2019</p> <p data-bbox="225 1335 1430 1447">The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p> <p data-bbox="225 1469 1445 1536">If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3011.</p>	
	<p data-bbox="225 1585 775 1621">Parties Impacted: DNOs and IDNOs</p>	
	<p data-bbox="225 1702 507 1738">Impacted Clauses:</p> <p data-bbox="225 1760 807 1796">Clause 42 ‘Metering Equipment Data’</p> <p data-bbox="225 1818 775 1854">Schedule 29, paragraphs 33 and 34</p>	

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1 Executive Summary

What?

- 1.1 Schedule 29 details the calculation of Licenced Distribution Network Operator (LDNO) discounts. The calculation requires a '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. An 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 an NCA.

Why?

- 1.4 The use of an NCA is inefficient. An NCA typically charges for its services, and submissions to an NCA are required from all DNOs and 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 an NCA for the calculation of both the 'HV split' and 'LV mains split'. Those clauses will be amended to apply only to the calculation of the 'HV split'.
- 1.6 Paragraphs 33 and 34 of Schedule 29 detail the calculation which an 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 the use of an NCA.

2 Governance

Justification for Part 1 Matter

- 2.1 This Change Proposal 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, originally it was not considered to meet any of the criteria for a Part 1 Matter and should be treated as a Part 2 Matter. However, following Working Group

discussions, it was decided that the Change Proposal should be considered as a Part 1 Matter to allow the Authority to make the final determination.

- 2.2 This decision was made due to the implementation of DCP 240 'Nominated Calculation Agent to calculate the LV mains split'¹ being determined by the Authority and it was thought that this change should also be treated in the same manner.

Requested Next Steps

- 2.3 The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 343.
- 2.4 The DCUSA Panel recommends that this CP:
- Be issued to Parties for Voting.

3 Why Change?

Background of DCP 343

Use of an 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:
- The total length of a DNO's LV mains used by LV-connected embedded networks which is currently provided to an NCA by DNOs based on information held in DNO's internal systems;
 - The number of end users on LV-connected embedded networks within a DNO's Distribution Services Area which is currently provided to an NCA by LDNOs; and
 - The average length of LV mains by LV end users on the DNO Party's own LV network which is currently provided to an 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 only input data which is not provided by DNOs is the count of end users on LV-connected embedded networks. However, 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

¹ [DCP 240](#)

is clear on which information the DNO should use for deriving customer counts then there is no need for an NCA.

- 3.3 The customer counts used should align with the network length data used. This is because the customer counts and network lengths are used together 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. Whether the precise D0314 flow to be used is specified (i.e. which reconciliation) has been considered by the Working Group and more detail on this can be found in section 4 below.
- 3.4 Under current arrangements, each LDNO submits its own customer numbers to an NCA. The Working Group have considered whether there is a need for DNOs to confirm the customer counts used with each LDNO, or whether an LDNO 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 LDNO customer count across all licensees which impacts the ‘LV mains split’ calculated and so the Proposer asserts that there is limited value in each LDNO having sight of the customer counts used for their portfolio. The Working Group assessment of this can be found in section 4 below.

Housekeeping Changes

- 3.5 Clauses 42.12 and 42.13 require DNOs and LDNOs to provide data to an NCA in October. The Proposer suggests that this is unnecessarily restrictive; hence will be amended to ‘no later than the end of October’.

4 Solution

DCP 343 Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 343. This Working Group consists of DNO and IDNO 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 approached the NCA used for 2020/21 charges to understand the cost savings associated with requiring an NCA to calculate the HV Split only. The current NCA has confirmed that the work is fairly evenly split between the LV mains split and the HV Split calculations. After taking away fixed overheads, it is assumed that there would be an approximate 40% cost saving for removing the LV component of the work that the NCA conducts.
- 4.3 Under current arrangements for the calculation of the ‘LV mains split’, LDNOs are required to provide an NCA with their customer counts for customers connected to LDNO networks with DNO to LDNO boundary at LV. DNOs receive customer counts and usage data for LDNO customers via

the D0314 'Non Half Hourly Embedded Network DUoS Report' flow² over the Data Transfer Network (DTN). This data is broken down by customer type and DNO to LDNO boundary (based on the LLFC assigned by the LDNO). DNOs already have access to the count of LDNO customers on LDNO networks with DNO to LDNO boundary at LV, which could be used to calculate the LV mains split. The Working Group sought Party views on whether this would be the most appropriate source of information for the purposes of calculating the LV mains split. More information can be found in paragraphs 4.32 to 4.35 below.

- 4.4 The current arrangements are not clear on the date at which customer counts should be taken. Given the customer counts are used to calculate the average network length per customer, customer count and network length data should be taken at the same point in time. Network data is required to be taken from the latest RRP submission, so is as at the end of the most recently completed regulatory year. Hence the Working Group thinks that customer counts should also be taken from the D0314 relating to the most recent completed regulatory year ending on March 31st.
- 4.5 The Working Group also discussed the need for LDNOs to check the data that the DNOs would be using for the calculation of the LV mains split. Currently, LDNOs provide the data so have visibility of the customer counts used for their own portfolio. If this were amended to require DNOs to carry out the full calculation 'in-house', LDNOs would lose visibility of the customer counts used for their portfolio. This was discussed further in paragraphs 4.32 to 4.35 below.
- 4.6 The LV mains split is determined based on the total LDNO customer count, not the count for an individual LDNO's portfolio. Hence LDNOs having visibility of their customer count is of limited value, as they will not have equivalent data for all other LDNOs. LDNOs also have access to the same data DNOs receive via the D0314 (as the LDNO receives a D0030 'Aggregated DUoS Report' flow) and the DNOs invoice based on that D0314, which details the customer counts.
- 4.7 Nonetheless, the Working Group discussed this slight loss of visibility, and considered that it may be appropriate to either require:
 - (a) DNOs to provide the customer count used for each LDNO to that LDNO for checking, along with the combined total for all LDNOs for information only;
 - (b) Report to each LDNO the customer count used for that LDNO and the combined total for all LDNOs for information only; or
 - (c) Report to each LDNO the customer count used for that LDNO and the combined total for all LDNOs if requested.
- 4.8 The Proposer considers that the value of LDNOs having access to the customer count used for their own portfolio is low, and therefore supports option (c). The Working Group agreed with the Proposer and this was reflected in the draft legal text that was provided with the Working Group's consultation document (attachment 4).

² Details of the D0030 and D0314 flows can be found on the MRASCo website: <https://dtc.mrasco.com/>

4.9 The proposed solution for this CP is to remove the need for an NCA to calculate the LV mains split. Instead, DNOs will be required to carry out the calculation based on the information they currently provide to an NCA for network lengths and DNO customer counts, alongside LDNO customer counts taken from the D0314 as at the most recent completed regulatory year ending on March 31st.

DCP 343 Consultation

4.10 Working Group members sought Party views on the proposed solution and issued a consultation to all DCUSA Contract Managers on 07 May 2019. A copy of the consultation document alongside the Party responses and Working Group conclusions can be found as Attachment 4.

4.11 The DCP 343 consultation document was seeking Party views on the proposed solution and draft legal text. There were nine respondents to the consultation comprising of DNOs and IDNOs.

Q1: Do you understand the intent of DCP 343?

4.12 All respondents to this question agreed that they understood the intent of DCP 343.

4.13 A clarification was made to highlight that these costs are not currently covered by DCUSA, as one respondent believed, as these services are provided by the Energy Networks Association (ENA), who in turn contract out the NCA service, on behalf of the DNOs.

Q2: Are you supportive of the principles of DCP 343?

4.14 The majority of respondents to this question were fully supportive of the principles of DCP 343, however there were two respondents who were not.

4.15 One respondent acknowledged that the use of an external NCA may be inefficient and costly and they were not wholly supportive of the proposed changes. The respondent voiced concerns regarding why an NCA was introduced for this purpose in the first place if the DNOs can complete the calculation themselves. There was also a question raised regarding any potential disadvantages for the LDNOs through the loss of independent adjudication. More information regarding this can be found in the Working Group conclusions section below.

4.16 A further respondent was not supportive of the principles of DCP 343 as they believe that the proposed cost saving by not using an NCA will be negated by the need for the DNOs to complete the work themselves.

Q3: Do Parties agree that the D0314 flow relating to the most recent March 31st is the most appropriate source customer count data for the LV mains split calculation? Please provide your rationale.

4.17 It was noted that eight of the nine respondents believe that the D0314 data flow would be the most appropriate source of the customer count data needed to complete the LV mains split calculation. However, one respondent highlighted that the D0314 data flow only provides non-half hourly (NHH)

customer counts and the calculation for the LV mains split required all customer count numbers. Therefore, the DNOs would need to obtain the HH customer counts from the LDNO.

4.18 The Working Group have addressed this further in the conclusions section below.

Q4: Do you agree that LDNOs should have the option to request the customer count used by a DNO for their portfolio? Please provide any comments.

4.19 There were mixed responses to this question whereby some respondents thought that it was a good idea for the LDNOs to be able to request the data used by the DNO to conduct the calculation, however, some respondents did not see the value that this would add.

Q5: Do you agree with the proposed solution for this CP? Please provide your rationale.

4.20 It was noted that six of the respondents agree with the solution put forward by the Working Group. One respondent voiced that they did not think there was a problem and so there is no need to change the current arrangements and a further respondent re-highlighted that the D0314 data flow is not a complete source of data required for the LV mains split calculation.

Q6: Do you believe the Working Group should consider a different solution? If so, please provide your rationale.

4.21 Eight respondents to this question of the consultation did not provide a different solution for the Working Group to consider.

4.22 One respondent suggested that the Working Group should consider that the LDNOs can submit their data to the DNOs, the same way as they submit their data to an NCA currently and so the DNOs will be able to calculate the LV mains split with a complete set of data.

Q7: Do you have any comments on the proposed legal text for DCP 343? Please provide your rationale.

4.23 Six respondents to the consultation did not provide any comments on the proposed legal text for DCP 343. Three other respondents provided comments for the Working Group to consider and the finalised legal text can be found in Section 8 below.

Q8: Which of the DCUSA Charging Objectives does this CP better facilitate? Please provide supporting comments.

4.24 Seven of the nine respondents believe that DCUSA Charging Objective Six will be better facilitated by the implementation of DCP 343. However, one respondent believes that there would be a negative impact on DCUSA Charging Objective Six as they believe that CP creates an additional process and complication.

- 4.25 A further respondent was unsure whether DCUSA Charging Objective six would be better facilitated as there could be potential for the DNOs to provide data to each of the LDNOs, but this has been alleviated by the finalised solution.
- 4.26 The Working Group view on which of the DCUSA Objectives would be better facilitated can be found in section 5 below.

Q9: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 4.27 The majority of respondents to the consultation did not believe that there were any wider impacts that needed to be considered by the Working Group. However, one respondent believes that the Working Group should consider the current Access and Forward-Looking Charging Significant Code Review as this will likely change the current charging methodologies, which in turn may negate the need for the LV mains split calculation in the future.

Q10: The proposed implementation date for DCP 343 is the first DCUSA Release following Party approval. Do you agree with the proposed implementation date? Please provide your rationale.

- 4.28 All respondents who provided a response to this question agreed that they were happy with the proposed implementation date for DCP 343.

Working Group Conclusions

Implementation of DCP 240 'Nominated Calculation Agent to calculate the LV mains split'

- 4.29 Following review of the consultation responses, the Working Group agreed that further clarification needed to be detailed as to why an NCA was originally introduced to calculate the LV mains split if the DNOs are able to calculate it themselves.
- 4.30 In April 2015, a CP was raised to use an NCA to calculate the LV mains split percentage. The obligation at the time that the CP was raised was for the DNOs to be responsible for calculating the LV mains split which LV-connected embedded networks were deemed to use. It was noted that the total length of LV mains or the number of end users that are adopted within the LV-connected licenced embedded networks was not always transparent to the DNOs and so the CP was proposing that an NCA was procured to centrally collate the data provided by DNO and LDNO Parties in order to calculate the LV mains split.
- 4.31 DCP 240 proposed an obligation that mirrored an existing obligation set out in DCUSA which required an NCA to collect data from all DNO and LDNO Parties on their HV Network length and the number of HV connections which is then used to calculate the HV split. Therefore DCP 240 was bringing the LV mains split in line with other Price Control Disaggregation Model inputs and provided a common approach to both calculations.
- 4.32 The DCP 343 Working Group discussed the implementation of DCP 240 and agreed that the data required to conduct the LV mains split calculation is now more accessible and transparent and

therefore, the DNOs are able to conduct the calculation more readily themselves. It was noted that the DCUSA Legal Text is clear as to what is needed to conduct the calculation and so the need to be compliant with the agreement should provide assurance for the LDNO Parties.

DCP 343 Final Solution

- 4.33 One respondent to the DCP 343 consultation highlighted that the D0314 flow would only provide the DNOs with the NHH metered customer numbers and so the DNOs would need to obtain the HH metered customer numbers from the LDNO to be able to conduct the LV mains split calculation. Therefore, it was suggested that the LDNOs submit their HH and NHH data to the DNOs, in the same way as they submit the data to an NCA.
- 4.34 The Working Group discussed the suggested alternative approach and agreed that they would progress a hybrid solution which encompasses the original proposed solution and the alternative solution suggested by the consultation respondent.
- 4.35 The final solution will place an obligation on the LDNOs to submit their customer data to the DNOs no later than the end of September each year. If the LDNO miss the deadline to submit this data, the DNOs will then be able to use the portfolio billing data to conduct the calculation.
- 4.36 The use of the hybrid solution will also alleviate some consultation respondents concerns regarding LDNOs being able to request the data that the DNO has used to calculate the LV mains split as the LDNO will not likely challenge their own data, as they will be providing the data themselves.

5 Relevant Objectives

Assessment against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives.
- 5.2 The Proposer of DCP 343 believes that the proposed solution will better facilitate DCUSA Charging Objective six as the change will reduce the costs incurred by DNOs in procuring an NCA and improve efficiency for both DNOs and LDNOs by enabling DNOs to carry out the calculation of the 'LV mains split' internally.
- 5.3 The Working Group sought Party views on which of the DCUSA Charging Objectives they thought would be better facilitated by the implementation of DCP 343. A summary of the Party views can be found in sections 4.23 – 4.25 above and in the consolidated consultation responses document found as attachment 4.
- 5.4 The Working Group unanimously agrees with the Proposer of the Change Proposal that DCUSA Charging Objective six would be better facilitated by the implementation of the DCP 343 solution.

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

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 There is no impact on any existing or anticipated SCR, however, the Working Group recognise that the current Access and Forward-Looking Charging SCR will be likely to change the current Charging Methodologies and may negate the need for the LV mains split calculation in the future.

Consumer Impacts

6.2 This Change Proposal does not have any impact on customers.

Environmental Impacts

6.3 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 343 were implemented. The Proposer did not

identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

Engagement with the Authority

- 6.4 Ofgem were fully involved with the development of this Change Proposal as an observer to the Working Group.

7 Implementation

- 7.1 It is suggested that this CP should be implemented on the first DCUSA Release following Authority approval and as soon as possible to avoid the inefficient use of an NCA for the calculation of 2021/22 charges.

8 Legal Text

- 8.1 The proposed changes to Clauses 42.12, 42.13 and paragraphs 33 and 34 of Schedule 29 can be found as attachment 1.
- 8.2 The legal text removes the references to an NCA for the calculation of the 'LV mains split' and places an obligation on LDNO Parties to provide their customer counts to the DNOs by no later than the end of September each year.
- 8.3 The legal text also sets out the formulae needed to be used by the DNO to conduct the calculation and what process they should use if the LDNO does not complete its obligation by the specified timescale.

9 Code Specific Matters

Modelling Specification Documents

- 9.1 Not applicable.

Reference Documents

- 9.2 Not applicable.

10 Recommendations

Panel's Recommendation

10.1 The Panel approved this Change Report on 21 August 2019. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 343.

10.2 The Panel have recommended this report be issued for voting and DCUSA Parties should consider whether they wish to submit views regarding this CP. The Voting Form can be found in Attachment 2.

Attachments

- Attachment 1 – DCP 343 Legal Text
- Attachment 2 – DCP 343 Voting Form
- Attachment 3 – DCP 343 Change Proposal
- Attachment 4 – DCP 343 Consultation and Collated Responses