

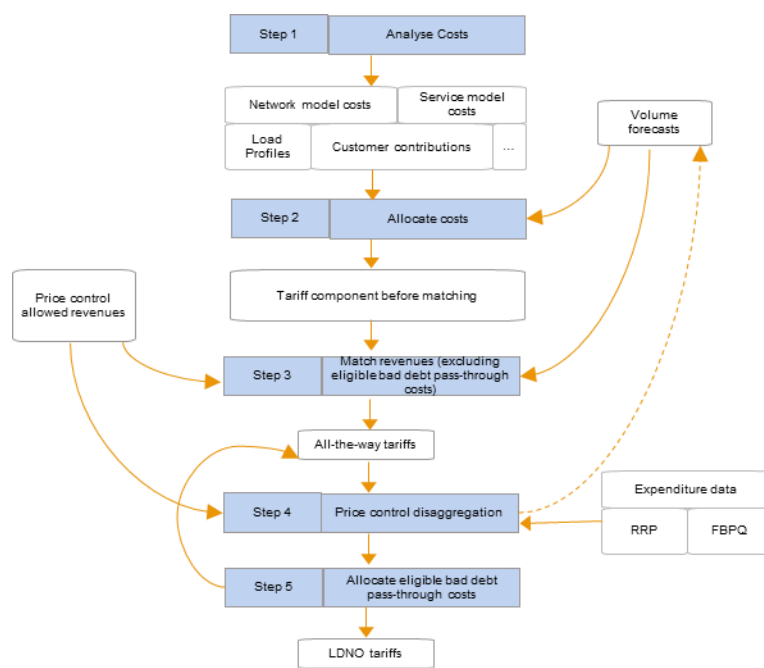
DCP333 - Appropriate Treatment and Allocation of Eligible Use of System Bad Debt Costs

Draft Legal Text

In Schedule 16, amend paragraph 3 as follows:

3. In order to comply with this methodology statement when setting distribution Use of System Charges the DNO Party will populate and publish the CDCM model version 104[TBC] when issued by the Panel in accordance with Clause 14.5.3.

In Schedule 16, replace the diagram (Figure 1) in paragraph 6 with a new diagram as follows:



In Schedule 16, amend paragraph 9 as follows:

9. Step 3 involves adjustments to the tariff components calculated in step 2 in order to match revenue recovered from the CDCM to the amount of revenue allowed under the price control conditions, less any adjustment needed for the recovery of the pass-

through costs referred to in paragraph 10A, which are allocated in Step 5 following the application of discount factors as detailed in Step 4.

In Schedule 16, insert a new paragraph 10A as follows¹:

10A. Step 5 allocates pass-through of the DNO Party's Eligible Bad Debt costs to all metered demand tariffs, including those for LDNOs.

In Schedule 16, insert a new paragraph 53B as follows:

53B. The DNO Party also forecasts the total customer count for tariffs for all demand tariffs for Designated Properties connected to LDNO networks which are calculated in the EDCM.

In Schedule 16, insert a new paragraph 90A as follows²:

90A. The DNO Party calculates an adjusted forecast of allowed revenues, which excludes any Eligible Bad Debt pass-through costs. Such pass-through costs are taken into account in Step 5 after LDNO discounts have been applied in Step 4.

In Schedule 16, amend paragraph 91 as follows:

91. If the adjusted forecast of allowed revenue exceeds the estimate of relevant revenues, then the difference is a shortfall. If the estimate of relevant revenues exceeds the adjusted forecast of allowed revenue, then the difference is a surplus.

¹ Where both DCP332 and DCP333 are approved, this will read "Step 5 allocates pass-through of (a) the DNO Party's Supplier of Last Resort costs to all domestic tariffs with a fixed charge, including those for LDNOs; and (b) the DNO Party's Eligible Bad Debt costs to all metered demand tariffs, including those for LDNOs."

² Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Eligible Bad Debt and Supplier of Last Resort".

In Schedule 16, amend paragraphs 100 to 105 as follows:

Step 5: Allocation of pass-through costs

100. ~~Not used.~~Step 5 [also]³ involves calculations based on the level of Eligible Bad Debt pass-through costs to be recovered in the charging year. Such costs are allocated to all demand tariffs (including LDNO tariffs) on an equivalent basis (i.e. without discounting LDNO tariffs).
101. Not used.
102. Not used.⁴
103. ~~Not used.~~Eligible Bad Debt pass-through costs are allocated by applying a fixed charge adder (p/day) to all metered demand tariffs excluding 'related MPAN' tariffs. The fixed charge adder is calculated as the costs to be passed through (in £) multiplied by 100 divided by the combined customer count of all metered demand customer groups (including those with tariffs calculated in the EDCM, as determined in paragraph 53B) excluding 'related MPAN' customer groups divided by the number of days in the charging year.
105. ~~Not used.~~The DNO Party will publish details of the fixed charge adders calculated under this Step 5 in its Use of System Charging Statement (as defined in and required by Standard Condition 14 of the DNO Party's Distribution Licence).

In Schedule 16, amend the Glossary of Terms by adding a new definition as follows:

Eligible Bad Debt has the meaning given to 'Valid Bad Debt' in the DNO Party's Distribution Licence. For the avoidance of doubt, Eligible Bad Debt pass-through costs include the DNO Party's bad debt and bad debt which the DNO Party is recovering on behalf of LDNOs.

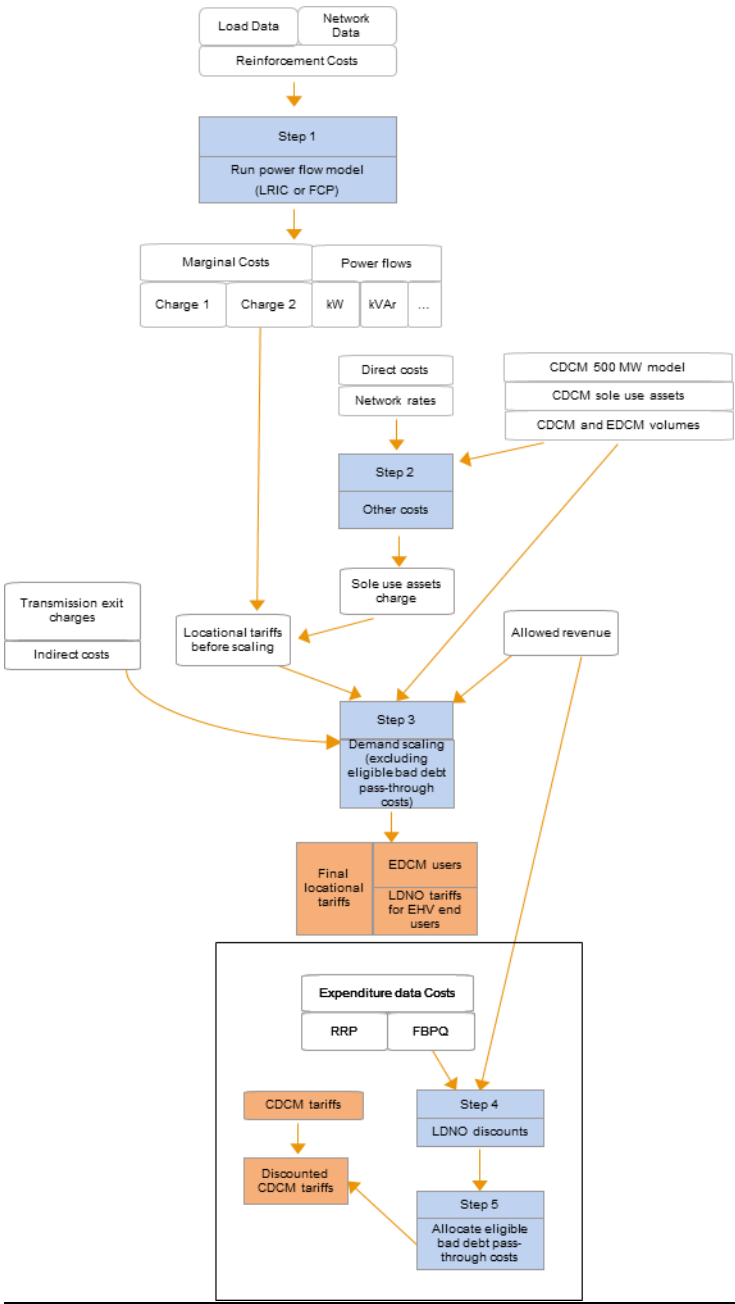
³ The word 'also' is only to be included if DCP332 is also approved, in which case the text for paragraph 100 in this DCP333 will be added in addition to the text to be included at paragraph 100 by DCP332 (with the DCP333 text following the DCP332 text).

⁴ Paragraphs 101 and 102 will be populated as per DCP332 if DCP332 is approved.

In Schedule 17, amend paragraph 1.3 as follows:

- 1.3 In order to comply with this methodology statement when setting distribution Use of System Charges the DNO Parties referred to above will populate the EDCM model version F204[TBC] when issued by the Panel in accordance with Clause 14.5.3.

In Schedule 17, replace the diagram (Figure 1) in paragraph 1.9 with a new diagram as follows:



In Schedule 17, amend paragraph 13.2 as follows⁵:

13.2 The residual revenue is that part of the DNO Party's Allowed Revenue less any revenue relating to the recovery of the DNO Party's Eligible Bad Debt pass-through costs that has not been pre-allocated to demand charges using cost-based charge elements.

In Schedule 17, amend paragraph 16.1 as follows⁶:

16.1 The EDCM demand revenue target is the share of the DNO Party's Allowed Revenue less any revenue relating to the recovery of Eligible Bad Debt pass-through costs (excluding transmission exit charges and net revenue from EDCM generation) that will be recovered from EDCM Connectees through import charges.

In Schedule 17, amend paragraph 16.6 as follows⁷:

16.6 Next, a residual revenue contribution rate is calculated as follows:

Residual revenue contribution rate (per cent) = (AR - DOC - INDOC - NR - GCN) /
(Total site-specific shared assets + EHV assets + HV and LV network assets)

Where:

AR is the DNO Party's total Allowed Revenue excluding transmission exit charges in £/year and excluding any revenue relating to recovery of the DNO Party's Eligible Bad Debt pass-through costs.

DOC is the DNO Party's total expenditure on direct operating costs.

⁵ Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

⁶ Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

⁷ Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

INDOC is the DNO Party's total expenditure on indirect costs.

NR is the DNO Party's total expenditure on network rates.

GCN is the total forecast net revenue in £/year from the application of EDCM export charges, including the EDCM generation fixed charge. This amount is estimated by applying the calculated EDCM export charges rounded to the relevant number of decimal points.

Total site-specific shared assets is the aggregate value (in £) of all site-specific shared assets for EDCM Connectees.

EHV assets are the aggregate EHV assets in the CDCM model.

HV and LV network assets from the CDCM model.

In Schedule 17, amend paragraph 24.1 as follows⁸:

- 24.1 LDNOs with Distribution Systems that serve Connectees that fall within the scope of the CDCM would have their charges based on standard discount percentages applied to the CDCM all-the-way end user charges.

A LDNO with a Distribution System that qualifies as a CDCM "Designated Property" according to the definition set out in condition 13A.6 of the Distribution Licence is eligible for portfolio discounts calculated using the price control disaggregation model provided for under Schedule 29, with any subsequent adjustment applied in respect of the DNO Party's Eligible Bad Debt pass-through costs as described in paragraphs 100 to 104 of the CDCM.

A LDNO with a Distribution System that qualifies as an EDCM "Designated EHV Property" according to the definition set out in condition 13B.6 of the Distribution Licence is eligible for discounts calculated using the price control disaggregation model provided for under Schedule 29, with any subsequent adjustment applied in

⁸ Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

respect of the DNO Party's Eligible Bad Debt pass-through costs as described in paragraphs 100 to 104 of the CDCM.

In Schedule 17, amend paragraph 25.4 as follows:

- 25.4 ~~Not used.~~Eligible Bad Debt pass-through costs are allocated by applying a fixed charge adder (p/day) to all metered demand tariffs excluding 'related MPAN' tariffs, as calculated under paragraph 103 of the CDCM.

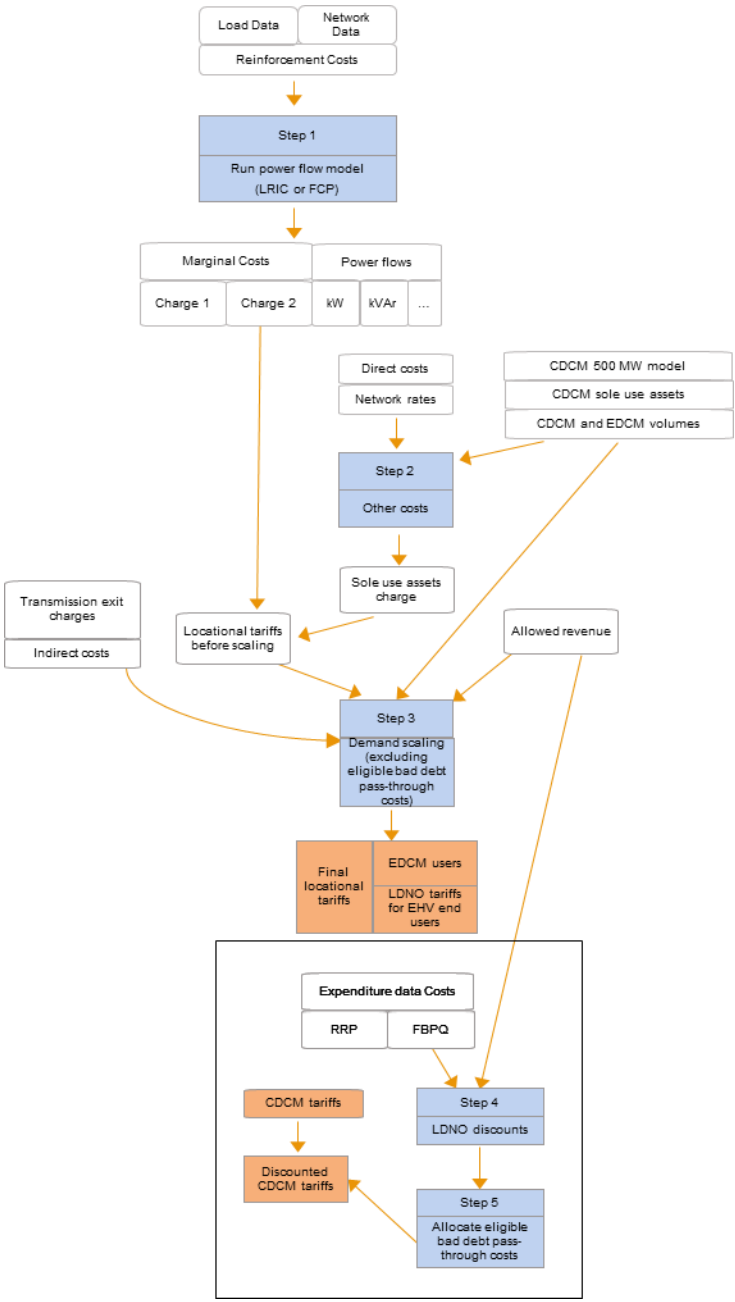
In Schedule 17, amend the Definitions in Annex 1 by adding a new definition as follows:

Eligible Bad Debt has the meaning given to 'Valid Bad Debt' in the DNO Party's Distribution Licence. For the avoidance of doubt, Eligible Bad Debt pass-through costs include the DNO Party's bad debt and bad debt which the DNO Party is recovering on behalf of LDNOs.

In Schedule 18, amend paragraph 1.3 as follows:

- 1.3 In order to comply with this methodology statement when setting distribution Use of System Charges the DNO Parties referred to above will populate the EDCM model version ~~L204~~ [TBC] when issued by the Panel in accordance with Clause 14.5.3.

In Schedule 18, replace the diagram (Figure 1) in paragraph 1.9 with a new diagram as follows:



In Schedule 18, amend paragraph 13.2 as follows⁹:

- 13.2 The residual revenue is that part of the DNO Party's Allowed Revenue less any revenue relating to recovery of the DNO Party's Eligible Bad Debt pass-through costs that has not been pre-allocated to demand charges using cost-based charge elements.

In Schedule 18, amend paragraph 16.1 as follows¹⁰:

- 16.1 The EDCM demand revenue target is the share of the DNO Party's Allowed Revenue less any revenue relating to recovery of the DNO Party's Eligible Bad Debt pass-through costs (excluding transmission exit charges and net revenue from EDCM generation) that will be recovered from EDCM Connectees through import charges.

In Schedule 18, amend paragraph 16.6 as follows¹¹:

- 16.6 Next, a residual revenue contribution rate is calculated as follows:

Residual revenue contribution rate (per cent) = (AR - DOC - INDOC - NR - GCN) /
(Total site-specific shared assets + EHV assets + HV and LV network assets)

Where:

AR is the DNO Party's total Allowed Revenue excluding transmission exit charges in £/year and excluding any revenue relating to recovery of the DNO Party's Eligible Bad Debt pass-through costs.

DOC is the DNO Party's total expenditure on direct operating costs.

INDOC is the DNO Party's total expenditure on indirect costs.

NR is the DNO Party's total expenditure on network rates.

⁹ Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

¹⁰ Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

¹¹ Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

GCN is the total forecast net revenue in £/year from the application of EDCM export charges, including the EDCM generation fixed charge. This amount is estimated by applying the calculated EDCM export charges rounded to the relevant number of decimal points.

Total site-specific shared assets is the aggregate value (in £) of all site-specific shared assets for EDCM Connectees.

EHV assets are the aggregate EHV assets in the CDCM model.

HV and LV network assets from the CDCM model.

In Schedule 18, amend paragraph 24.1 as follows¹²:

- 24.1 LDNOs with Distribution Systems that serve Connectees that fall within the scope of the CDCM would have their charges based on standard discount percentages applied to the CDCM all-the-way end user charges.

A LDNO with a Distribution System that qualifies as a CDCM “Designated Property” according to the definition set out in condition 13A.6 of the Distribution Licence is eligible for portfolio discounts calculated using the price control disaggregation model provided for under Schedule 29, with any subsequent adjustment applied in respect of the DNO Party's Eligible Bad Debt pass-through costs as described in paragraphs 100 to 104 of the CDCM.

A LDNO with a Distribution System that qualifies as an EDCM “Designated EHV Property” according to the definition set out in condition 13B.6 of the Distribution Licence is eligible for discounts calculated using the price control disaggregation model provided for under Schedule 29, with any subsequent adjustment applied in respect of the DNO Party's Eligible Bad Debt pass-through costs as described in paragraphs 100 to 104 of the CDCM.

¹² Where both DCP332 and DCP333 are approved, the words "Eligible Bad Debt" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

In Schedule 18, amend paragraph 25.4 as follows:

- 25.4 ~~Not used;~~Eligible Bad Debt pass-through costs are allocated by applying a fixed charge adder (p/day) to all metered demand tariffs excluding 'related MPAN' tariffs, as calculated under paragraph 103 of Schedule 16.

In Schedule 18, amend the Definitions in Annex 1 by adding a new definition as follows:

Eligible Bad Debt has the meaning given to 'Valid Bad Debt' in the DNO Party's Distribution Licence. For the avoidance of doubt, Eligible Bad Debt pass-through costs include the DNO Party's bad debt and bad debt which the DNO Party is recovering on behalf of LDNOs.

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10 July 2019