

**DCP332 - Appropriate Treatment and Allocation of Last Resort Supply Payment
Claims**

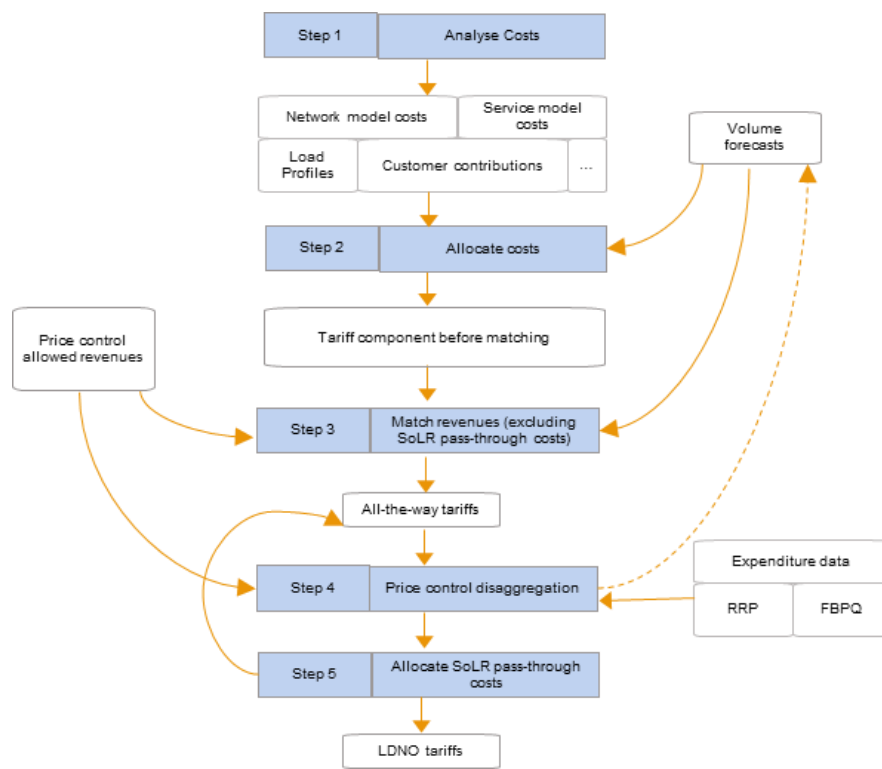
Draft Legal Text

In Schedule 16, amend paragraph 3 as follows¹:

3. In order to comply with this methodology statement when setting distribution Use of System Charges the DNO Party will populate and publish the following CDCM model version s104 when issued by the Panel in accordance with Clause 14.5.3.:
- for charges effective from 1 April 2020 where the Authority has given no direction under Clause 19.1B, CDCM model version 104 as issued by the Panel in accordance with Clause 14.5.3;
 - for charges effective from 1 April 2020 where the Authority has given direction under Clause 19.1B that periods of notice described in Clause 19.1A need not apply, CDCM model version [TBC] as issued by the Panel in accordance with Clause 14.5.3; or
 - for charges effective from 1 April 2021 or later, CDCM model version [TBC] as issued by the Panel in accordance with Clause 14.5.3.

¹ The change to the structure of this paragraph 3 will override any other CPs with the same implementation date that merely change the model version number, but the reference here to version 104 is subject to change by any other CPs with the same implementation date.

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 follows²:

10A. Step 5 allocates pass-through of the DNO Party's Supplier of Last Resort costs to all domestic tariffs with a fixed charge, including those for LDNOs.

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

53A. The DNO Party also forecasts the total customer count for tariffs for domestic customers connected to LDNO networks which are calculated in the EDCM.

In Schedule 16, insert a new paragraph 90A as follows³:

90A. The DNO Party calculates an adjusted forecast of allowed revenues, which excludes any Supplier of Last Resort 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.

In Schedule 16, amend paragraphs 100 to 104 as follows:

Step 5: Allocation of pass-through costs

² 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."

³ Where both DCP332 and DCP333 are approved, the words "Supplier of Last Resort" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

100. ~~Not used~~ Step 5 involves calculations based on the level of Supplier of Last Resort pass-through costs to be recovered in the charging year. Such costs are allocated to all domestic tariffs with a fixed charge (including LDNO tariffs) on an equivalent basis (i.e. without discounting LDNO tariffs).⁴
101. ~~Not used~~ Supplier of Last Resort pass-through costs are allocated by applying a fixed charge adder (p/day) to the tariffs for following customer groups (as further described in paragraph 102):
- Domestic Unrestricted;
 - LDNO LV: Domestic Unrestricted;
 - LDNO HV: Domestic Unrestricted;
 - LDNO HVplus: Domestic Unrestricted (which is calculated in the EDCM);
 - LDNO EHV: Domestic Unrestricted (which is calculated in the EDCM);
 - LDNO 132kV/EHV: Domestic Unrestricted (which is calculated in the EDCM);
 - LDNO 132kV: Domestic Unrestricted (which is calculated in the EDCM);
 - LDNO 0000: Domestic Unrestricted (which is calculated in the EDCM);
 - Domestic Two Rate;
 - LDNO LV: Domestic Two Rate;
 - LDNO HV: Domestic Two Rate;
 - LDNO HVplus: Domestic Two Rate (which is calculated in the EDCM);
 - LDNO EHV: Domestic Two Rate (which is calculated in the EDCM);
 - LDNO 132kV/EHV: Domestic Two Rate (which is calculated in the EDCM);

⁴ If DCP333 is also approved, the DCP 333 text for paragraph 100 will be added in addition (with the DCP333 text following the DCP332 text).

- LDNO 132kV: Domestic Two Rate (which is calculated in the EDCM);
- LDNO 0000: Domestic Two Rate (which is calculated in the EDCM);
- LV Network Domestic;
- LDNO LV: LV Network Domestic;
- LDNO HV: LV Network Domestic;
- LDNO HVplus: LV Network Domestic (which is calculated in the EDCM);
- LDNO EHV: LV Network Domestic (which is calculated in the EDCM);
- LDNO 132kV/EHV: LV Network Domestic (which is calculated in the EDCM);
- LDNO 132kV: LV Network Domestic (which is calculated in the EDCM);
- LDNO 0000: LV Network Domestic (which is calculated in the EDCM).

102. ~~Not used~~The fixed charge adder is calculated as the costs to be passed through (in £) multiplied by 100 divided by the combined customer count of the groups listed in paragraph 101 (including those with tariff calculated in the EDCM, as determined in paragraph 53A) divided by the number of days in the charging year.
103. Not used.⁵
104. ~~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).

⁵ Paragraph 103 will be populated as per DCP333 if DCP333 is approved.

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

Supplier of Last Resort a supply licensee to which a Last Resort Supply Direction applies, where Last Resort Supply Direction has the meaning given to that expression in the Supply Licence.

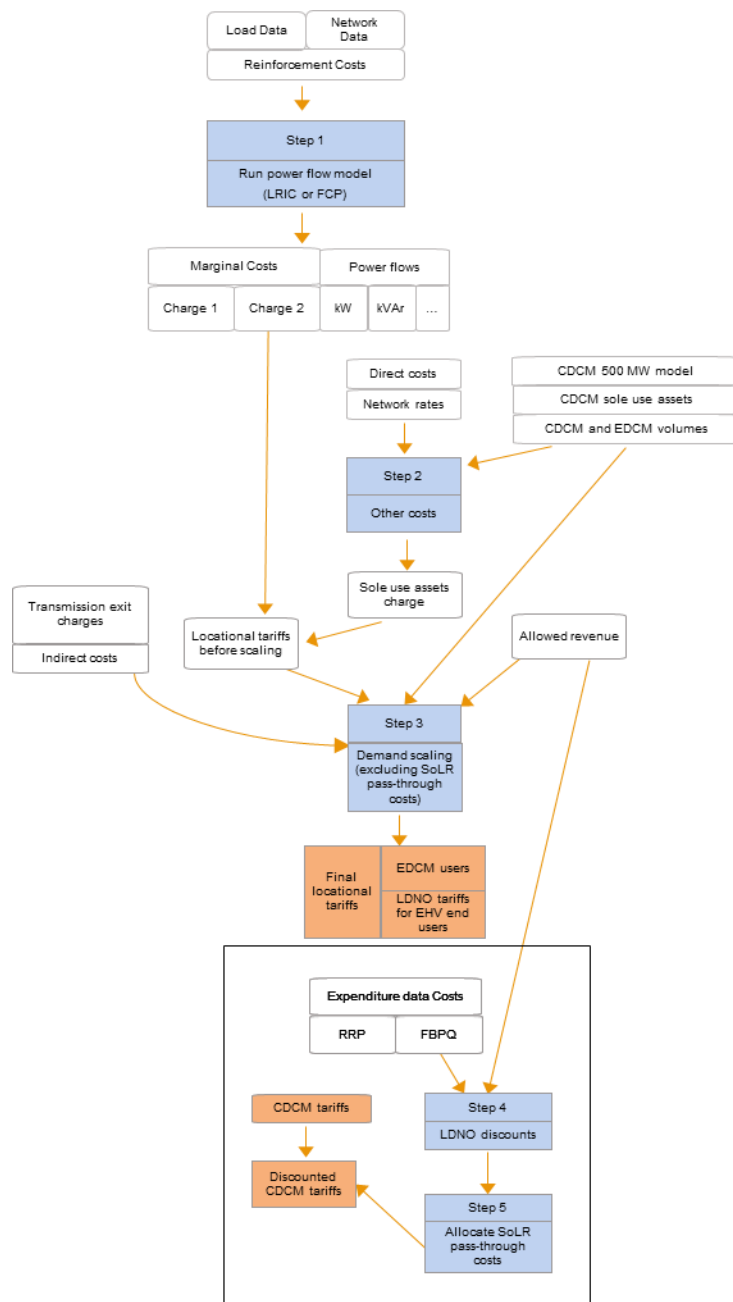
In Schedule 17, amend paragraph 1.3 as follows⁶:

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 following EDCM model version ~~F204 when issued by the Panel in accordance with Clause 14.5.3;~~

- for charges effective from 1 April 2020 where the Authority has given no direction under Clause 19.1B, EDCM model version F204 as issued by the Panel in accordance with Clause 14.5.3;
- for charges effective from 1 April 2020 where the Authority has given direction under Clause 19.1B that periods of notice described in Clause 19.1A need not apply, EDCM model version [TBC] as issued by the Panel in accordance with Clause 14.5.3; or
- for charges effective from 1 April 2021 or later, EDCM model version [TBC] as issued by the Panel in accordance with Clause 14.5.3.

⁶ The change to the structure of this paragraph 1.3 will override any other CPs with the same implementation date that merely change the model version number, but the reference here to version F204 is subject to change by any other CPs with the same implementation date.

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 follows⁷:

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

- 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 Supplier of Last Resort 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 follows⁸:

- 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 Supplier of Last Resort 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 follows⁹:

- 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 Supplier of Last Resort 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.

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

⁹ Where both DCP332 and DCP333 are approved, the words "Supplier of Last Resort" 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 17, amend paragraph 24.1 as follows¹⁰:

- 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 Supplier of Last Resort 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 Supplier of Last Resort pass-through costs as described in paragraphs 100 to 104 of the CDCM.

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

In Schedule 17, amend paragraph 25.3 as follows:

25.3 ~~Not used.~~ Supplier of Last Resort pass-through costs are allocated by applying a fixed charge adder (p/day) to the following customer groups, as calculated under paragraph 102 of the CDCM:

- LDNO HVplus: Domestic Unrestricted;
- LDNO EHV: Domestic Unrestricted;
- LDNO 132kV/EHV: Domestic Unrestricted;
- LDNO 132kV: Domestic Unrestricted;
- LDNO 0000: Domestic Unrestricted;
- LDNO HVplus: Domestic Two Rate;
- LDNO EHV: Domestic Two Rate;
- LDNO 132kV/EHV: Domestic Two Rate;
- LDNO 132kV: Domestic Two Rate;
- LDNO 0000: Domestic Two Rate;
- LDNO HVplus: LV Network Domestic;
- LDNO EHV: LV Network Domestic;
- LDNO 132kV/EHV: LV Network Domestic;
- LDNO 132kV: LV Network Domestic;
- LDNO 0000: LV Network Domestic.

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

Supplier of Last Resort a supply licensee to which a Last Resort Supply Direction applies, where Last Resort Supply Direction has the meaning given to that expression in the Supply Licence.

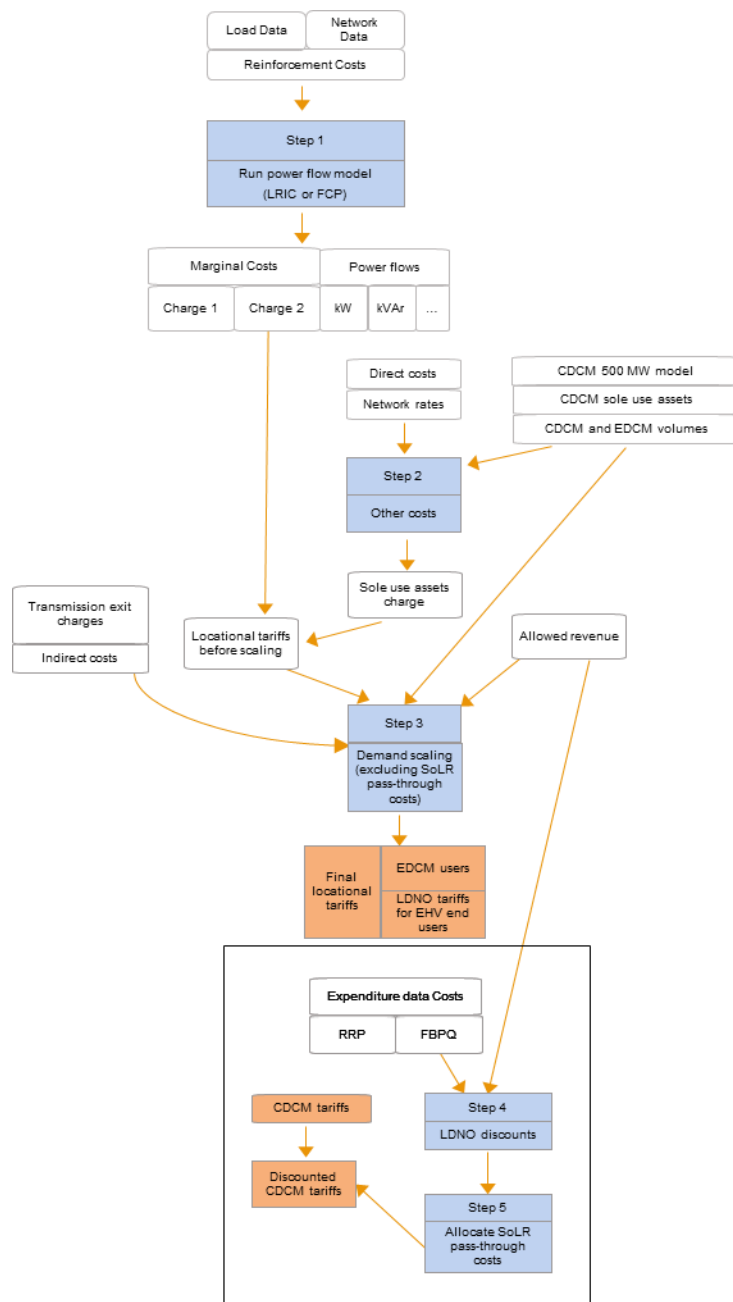
In Schedule 18, amend paragraph 1.3 as follows¹¹:

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 following EDCM model version ~~s-L204 when issued by the Panel in accordance with Clause 14.5.3;~~

- for charges effective from 1 April 2020 where the Authority has given no direction under Clause 19.1B, EDCM model version L204 as issued by the Panel in accordance with Clause 14.5.3;
- for charges effective from 1 April 2020 where the Authority has given direction under Clause 19.1B that periods of notice described in Clause 19.1A need not apply, EDCM model version [TBC] as issued by the Panel in accordance with Clause 14.5.3; or
- for charges effective from 1 April 2021 or later, EDCM model version [TBC] as issued by the Panel in accordance with Clause 14.5.3.

¹¹ The change to the structure of this paragraph 1.3 will override any other CPs with the same implementation date that merely change the model version number, but the reference here to version L204 is subject to change by any other CPs with the same implementation date.

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 follows¹²:

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

- 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 Supplier of Last Resort 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 follows¹³:

- 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 Supplier of Last Resort 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 follows¹⁴:

- 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 Supplier of Last Resort 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.

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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 follows¹⁵:

- 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 Supplier of Last Resort 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 are 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 Supplier of Last Resort pass-through costs as described in paragraphs 100 to 104 of the CDCM.

¹⁵ Where both DCP332 and DCP333 are approved, the words "Supplier of Last Resort" will be replaced with "Supplier of Last Resort and Eligible Bad Debt".

In Schedule 18, amend paragraph 25.3 as follows:

25.3 ~~Not used.~~ Supplier of Last Resort pass-through costs are allocated by applying a fixed charge adder (p/day) to the following customer groups, as calculated under paragraph 102 of the CDCM:

- LDNO HVplus: Domestic Unrestricted;
- LDNO EHV: Domestic Unrestricted;
- LDNO 132kV/EHV: Domestic Unrestricted;
- LDNO 132kV: Domestic Unrestricted;
- LDNO 0000: Domestic Unrestricted;
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- LDNO EHV: Domestic Two Rate;
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In Schedule 18, amend the Definitions in Annex 1 by adding a new definition as follows:

Supplier of Last Resort a supply licensee to which a Last Resort Supply Direction applies, where Last Resort Supply Direction has the meaning given to that expression in the Supply Licence.

Gowling WLG (UK) LLP

10 July 2019