

DCUSA DCP 117 Collated Consultation Responses

Company	Confidential/ Anonymous	1. Do you agree with the intent of DCP 117?
Electricity North West	Non-confidential	Yes
ESP Electricity	Non-confidential	Yes
Gas Transportation Company	Non-confidential	Yes The Price Control Disaggregation Model (AKA Method M) is supposed to be a total cost revenue. The current treatment of the costs "Load related new connections & reinforcement (net of contributions)" mis-represents a significant part of DNO revenue: customer contributions
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Yes
SP Manweb & SP Distribution	Non-confidential	Yes
UK Power Networks	Non-confidential	Yes.

WPD	Non-confidential	Yes
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Company	Confidential/ Anonymous	2. Do you agree with the principles of DCP 117?
Electricity North West	Non-confidential	Yes
ESP Electricity	Non-confidential	Yes
Gas Transportation Company	Non-confidential	Yes
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Yes
SP Manweb & SP Distribution	Non-confidential	Yes
UK Power Networks	Non-confidential	Yes.
WPD	Non-confidential	Yes

Company	Confidential/ Anonymous	3. Do you understand the approach being proposed to address the issues presented within DCP 117?
Electricity North West	Non-confidential	Yes
ESP Electricity	Non-confidential	Yes
Gas Transportation Company	Non-confidential	Yes
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	In the absence of any more accurate data we understand the approach being taken
SP Manweb & SP Distribution	Non-confidential	Yes
UK Power Networks	Non-confidential	Yes.
WPD	Non-confidential	Yes
Company	Confidential/ Anonymous	4. Do you agree with the approach to use data from FBPQ LR1 submissions to allocate costs and customer contributions to network tiers?

Electricity North West	Non-confidential	We agree that the customer contributions data that is provided in table LR1 allows for customer contributions to be split between voltage levels and that this will improve the accuracy of the discounts used to calculate the LDNO tariffs.
ESP Electricity	Non-confidential	<p>Yes, ESPE believe that as the PCDM already uses data from the FBRQ LR1 submissions elsewhere, it makes sense to also use this data to allocate costs and customer contributions to network tiers.</p> <p>ESPE also believe that as this data is already provided by DNOs, this will result in no further reporting burden, which is of increased significance when considering the difficulty that the Customer Contributions group have had in obtaining similar data.</p>
Gas Transportation Company	Non-confidential	<p>Yes</p> <p>Data from the LR1 submission is already used in the PCDM (it is one of the components used to calculate the Net-Capex cost driver (other components of the Net-Capex cost driver calculation are also derived from FBPQ submissions).</p> <p>Using LR1 data to allocate connections costs net of contributions to network tiers in the '<i>Calc - Opex Allocation</i>' work sheet is consistent with the use of the data in determining connections capex for the Net-Capex cost driver.</p> <p>Additionally we are not aware of any other sources for this information. The current approach (to use RRP2.4 data) does not contain sufficient granularity.</p>
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and	Non-confidential	We believe that the FBPQ LR1 submissions data are now out of date, but in the absence of more accurate data could be used to allocate costs and customer contributions to network tiers.

Northern Powergrid (Yorkshire) plc		
SP Manweb & SP Distribution	Non-confidential	Yes
UK Power Networks	Non-confidential	This approach does seem to be appropriate.
WPD	Non-confidential	Yes

Company	Confidential/ Anonymous	5. Do you agree that in using data from FBPQ LR1 submissions, it is the average of data over the 10 period 2005 to 2015 that should be used? Alternatively, should the data for the year 2007/8 only be used? Please explain your rationale.
Electricity North West	Non-confidential	We agree that a ten year average will be more representative of the typical contributions received by DNOs and therefore improve the accuracy of the calculation. We note that although most of the data used within the PCDM relates to 2007/08, there are a number of other instances used where data is averaged over a number of years to ensure it is more representative.
ESP Electricity	Non-confidential	We believe that a 10 year average is likely to be more accurate than a snapshot from a single year (2007/08). We would be wary of using a single year as the year in question could prove an historic outlier and therefore distort the picture, whereas taking a 10 year average will help smooth out any outliers and give a more meaningful and trustworthy figure. There is precedence for using a 10 year figure in the PCDM (in calculating the Net Capex driver), therefore ESPE are happy for a similar methodology to be used when calculating the allocation of costs and customer contributions to network tiers.
Gas Transportation	Non-confidential	We note that in the calculation of the Net Capex driver, it is data over the 10 year period that is

Company		<p>used. The approach here is consistent with that approach.</p> <p>One of the concerns is that connections costs can vary from year to year and that this can in large part be influenced by the economy. Additionally, the year in which contributions are received may not wholly align with the year in which money is spent. This is because customers are required to make contributions before commencement of works. Therefore, whilst we recognise that all other costs in the opex allocation are for the year 2007/8, on balance we believe the 10 year average gives a better reflection of the costs year on year.</p>
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	We believe as this is historic data an average of the 10 year period would be more appropriate than just using 2007/08 data, however other area of the model relate to just 2007/08 data therefore it may be better for consistency to retain this.
SP Manweb & SP Distribution	Non-confidential	Yes agree to using the average over the 10 year period 2005 to 2015
UK Power Networks	Non-confidential	We agree that it is appropriate to utilise the average of the data available over the ten year period (2005/06 to 2014/15) within the FBPQ LR1 submissions, as this would help ensure that single year data volatility is removed as the costs are smoothed over the longer time window.
WPD	Non-confidential	WPD agree that the current solution is a best fit to a complicated problem.

Company	Confidential/ Anonymous	6. Do you agree with the approach proposed to allocate customer contributions that are in excess of connection costs?
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Electricity North West	Non-confidential	Any excess contributions are due to the element that relates to indirect costs. The proposed solution is to classify this as income and allocate them using the opex cost driver as a proxy for the type of costs they are deemed to cover. Rather than using a proxy, the Working Group should consider directly netting off the indirect element of customer contributions against indirect costs.
ESP Electricity	Non-confidential	At present, customer contributions that are in excess of connection costs are ignored, which we do not believe is the correct approach as we believe that it would be more cost reflective to see them allocated.
Gas Transportation Company	Non-confidential	Contributions that are in excess of contributions are a revenue stream for DNOs and therefore need to be allocated (rather than ignored as is currently the case). Table LR1 identifies that these "excess" contribution in very large part relate to the indirect costs [of providing a connection]. Allocating this revenue to network tiers using the opex driver is consistent with the way that other indirect costs are allocated.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	This would seem to be more cost reflective.
SP Manweb & SP Distribution	Non-confidential	Yes
UK Power Networks	Non-confidential	We believe that the approach proposed for the allocation of these contributions by the use of the opex cost driver is appropriate.
WPD	Non-confidential	Yes

Company	Confidential/ Anonymous	7. Do you have any comments on the impact analysis presented within Attachment C?
Electricity North West	Non-confidential	We have no comments
ESP Electricity	Non-confidential	ESPE note that across the 14 regions, the impact on the ATW charge is negligible, with any changes (+0.1%) primarily due to rounding rather than a genuine change in the charge. The impact to the customer will therefore be negligible, with the only real change being in the charges to LDNOs connecting to the DNOs, due to the correction in the defect identified by this CP.
Gas Transportation Company	Non-confidential	The impact to the all-the-way charges is very small and therefore have very little impact on suppliers or end customers.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	In all but one of the DNOs the affected tariffs are those that we would expect to see change if the objectives of the proposal are to be met. Which suggests that, the progression of this proposal, does have some merit.
SP Manweb & SP Distribution	Non-confidential	No
UK Power Networks	Non-confidential	No.
WPD	Non-confidential	No

Company	Confidential/ Anonymous	8. Are there any alternative solutions or matters that should be considered by the Working Group?
Electricity North West	Non-confidential	The working group should consider treating the direct and indirect customer contributions as separate elements rather than deriving the residual and allocating it as income.
ESP Electricity	Non-confidential	None
Gas Transportation Company	Non-confidential	We are not aware of any other solutions or matters that need to be considered in the scope of this change proposal.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	None that we are aware of.
SP Manweb & SP Distribution	Non-confidential	No
UK Power Networks	Non-confidential	The Working Group will need to consider the timeline to produce the legal text and the need for a further consultation on the legal text.
WPD	Non-confidential	No
Company	Confidential/ Anonymous	9. The Working Group is proposing an implementation date of 01 April 2015, or where this is not possible, under the notice periods required under DCUSA, the earliest date

		that the notice periods under DCUSA permit for changes to such charges, do you agree with this date? Please provide supporting comments.
Electricity North West	Non-confidential	We believe this DCP should be implemented in April 2016
ESP Electricity	Non-confidential	ESPE believe that if approved, this change should be implemented as soon as practicable, particularly as it has effectively been on hold for so long because of the delays with the Customer Contributions group.
Gas Transportation Company	Non-confidential	The impact to the all way charges is very small. We recognise that should the change proposal be successful it is unlikely to be approved in time for the publication of DNO indicative tariffs. However given that the impact to the all-the-way charges is very small we believe that if the change proposal is approved before the publication of the final charges it should take effect from April 2015. Consideration of the DCP has taken too long already
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	We believe April 2016 is a more realistic date
SP Manweb & SP Distribution	Non-confidential	Yes, we agree with the suggested implementation date of 1 st April 2015 assuming that this change is approved by the Authority in time to be incorporated in the February 2015 Final publication. If not then this change would need to have the implementation date of the 1 st April 2016.
UK Power Networks	Non-confidential	In the absence of a timeline on the legal text and consultation we are unable to comment on an

		implementation date of 01 April 2015.
WPD	Non-confidential	WPD do not agree with the implementation date. At this late stage in the charging process the implementation date should be 1 st April 2016.