



DCUSA Consultation

DCP 150 - Implementation of Notice in
DCUSA for Changes to certain CDCM Inputs

1 PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued to all DCUSA Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 150 - Implementation of Notice in DCUSA for Changes to certain CDCM Inputs.
- 1.3 Parties are invited to consider the proposed drafting set out as Attachment A and submit comments using the form attached as Attachment B to DCUSA@electralink.co.uk by **21 November 2012**

2 DCP 150– IMPLEMENTATION OF NOTICE IN DCUSA FOR CHANGES TO CERTAIN CDCM INPUTS

- 2.1 DCP 150 has been raised by Npower and seeks to fix some of the inputs into the CDCM model by providing an obligation in DCUSA for DNOs to provide sufficient notice period to change them. DCP 150 proposes that a 15 month notice period be given to change certain inputs to the CDCM model.
- 2.2 The Proposer explains that currently there are inputs in the CDCM model which tend to change year on year. It is further noted that these changes to model inputs can cause unexpected volatility within charges.
- 2.3 Suppliers price consumers on 1, 2 and 3 year contracts – either with DUoS charges built into the overall rate that the customer receives on the bill, or where DUoS charges are passed through directly onto the customer's bill. Changes to CDCM model inputs can lead to sudden price movements, perhaps resulting in windfall gains or losses for Suppliers. This can lead to consumers being charged on a different basis depending on the type of contract they have with their Supplier.
- 2.4 The Working Group is concerned that to publish asset cost information 15 months in advance will require publication towards the end of December. It is

recognised that this will be the same time as indicative DUoS charges are being prepared and published to Parties for the following April. This is already a busy time of year for DNOs and may significantly increase the risk of errors occurring in either the future asset costs or the indicative charges. Other options that could be considered are either a minimum of 12 or 18 months notice which are both away from any other pricing publications.

2.5 The Working Group agrees that the Annual Review Pack (ARP) would be the appropriate vehicle for notification. Other options include the LC14 statement and the LC14 charging statement. This consultation asked Parties to also consider whether the ARP would be suitable or would another document be more appropriate.

2.6 The Change Proposal is provided as Attachment C to this document.

3 WORKING GROUP ASSESSMENT

3.1 The DCP 150 Working Group is comprised of representatives from Suppliers, Distributors and Ofgem. Meetings have been held in open session and the documents of each meeting are available on the DCUSA website – www.dcusa.co.uk.

4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 4.1 The Working Group has identified that DCUSA General Objective Two¹ is better facilitated by the CP. The Working Group agree that enhanced transparency of changes to the methodology inputs will allow market participants a better view of the potential changes to tariffs. This will allow transparency to the end customer and therefore promote competition. The CP ensures more transparency and increases certainty. Small Suppliers would be more able to withstand the price shocks. More transparency also ensures more predictability for small Suppliers.
- 4.2 DCUSA Charging Objective Two² is also facilitated by this CP. The CP ensures increased stability and transparency within the Charging Methodology increases market confidence in the tariff setting regime and encourages competition by reducing price shocks for both new entrants and current participants.

5 LEGAL DRAFTING

- 5.1 DCP 150 will place a 15 month notice period be given to the following inputs:
- 1017 - Diversity Allowance between top and bottom of network level
 - 1018 - Proportion of relevant load going through 132kV/HV direct transformation
 - 1019 - Network model GSP peak demand (MWh)
 - 1025 - Matrix of applicability of LV service models to tariffs with fixed charges
 - 1026 - matrix of applicability of LV service models to unmetered tariffs
 - 1028 - Matrix of applicability of HV service models to tariffs with fixed charges
 - 1092 – Average kVAr by kVA, by network level

¹ The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity.

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).

5.2 The legal drafting places the 15 month notice period on the input table specifically referenced, in clause 28A, diversity allowance. The drafting also places the notice under Clause 54A, by referencing the other tables.

5.3 The proposed legal drafting is attached as Appendix A.

6 IMPLEMENTATION

6.1 The deadline for DNOs to know the rules that apply to the calculation inputs upon which to calculate the indicative charges is the 5 December of each year. Therefore the proposed implementation date for DCP 150 is as soon as reasonably practicable following Authority consent, but not before 1 April 2013.

6.2 The ARP is published in December of each year for April price change. Therefore this CP is seeking an implementation date or April 2014.

7 CONSULTATION

7.1 The Working Group is seeking views on the below questions:

- Do you understand the intent of the CP?
- Are you supportive of its principles?
- Does the CP facilitate DCUSA General and Charging Objectives as set out by the Working Group?
- Do you have any comments on the proposed legal text?
- The Working Group is concerned that the 15 month time period may be excessive and will prevent new data that becomes available from being used, which will reduce cost reflectivity. Do you agree with the working group's assessment? Please provide supporting comments.
- The Working Group is concerned that to publish asset cost information 15 months in advance will require publication towards the end of December. It is recognised that this will be the same time as indicative DUoS charges are being prepared and published to Parties for the following April. This is already a busy time of year for DNOs and may significantly increase the risk of errors occurring in either the future asset costs or the indicative charges. Other options that could be considered are either a minimum of 12 or 18 months notice which are both away from any other pricing publications.
 - Do you agree with either of these proposed alternatives?

- If yes, would this cause any foreseeable problems for fulfilment of the DCUSA objectives, or wider repercussions for the industry and consumers, that would be mitigated by having a 15 month period?
 - If you believe that 12 or 18 months are not suitable is there an alternative that you would suggest?
 - How do you think DNOs should provide notice of a change to the data identified within this consultation? Should it be consistent with DCP 136, and place the notification in the Annual Review Pack?
 - Do you agree with the proposed implementation date?
 - Do you have any other comments on DCP 150 that you feel the Working Group should consider?
- 7.2 Responses should be submitted using Attachment B to DCUSA@electralink.co.uk no later than **21 November 2012**.
- 7.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

8 NEXT STEPS

- 8.1 Following the end of the consultation period the responses will be reviewed by the Working Group. The Working Group will finalise the drafting of the CP and submit its final report to the Panel. Following Panel approval, the Change Proposal will be issued to all DCUSA Parties for voting and, following the vote, issued to Ofgem for final determination.
- 8.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3011.

9 ATTACHMENTS

Attachment A – Proposed Legal Text

Attachment B – Response Form

Attachment C – DCP 150 Change Proposal Form