

DCUSA Consultation	At what stage is this document in the process?
<h1 data-bbox="124 376 552 465">DCP 343</h1> <h2 data-bbox="124 506 1075 712">Use of a nominated calculation agent for the calculation of the LV mains split</h2> <p data-bbox="124 736 912 775"><i>Raised on the 12 February 2019 as a Standard Change</i></p>	<div data-bbox="1187 367 1350 432">01 – Change Proposal</div> <div data-bbox="1187 495 1414 521">02 – Consultation</div> <div data-bbox="1187 589 1350 654">03 – Change Report</div> <div data-bbox="1187 696 1350 761">04 – Change Declaration</div>
<p data-bbox="124 824 571 857">Purpose of Change Proposal:</p> <p data-bbox="124 880 1445 992">The intent of this Change Proposal 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="233 1014 1134 1048">The Workgroup recommends that this Change Proposal should:</p> <ul data-bbox="276 1055 663 1088" style="list-style-type: none"> • proceed to Consultation <p data-bbox="233 1122 1463 1189">Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 29 May 2019.</p> <p data-bbox="233 1211 1275 1245">DCP 343 has been designated as a Part 2 Matter and a standard change.</p> <p data-bbox="233 1267 1350 1335">The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>
	<p data-bbox="233 1373 767 1406">Impacted Parties: DNOs and IDNOs</p>
	<p data-bbox="233 1485 507 1518">Impacted Clauses:</p> <p data-bbox="233 1541 836 1574">Clause 42 ‘Metering Equipment and Data’</p> <p data-bbox="233 1597 762 1630">Schedule 29, paragraphs 33 and 34.</p>

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Timetable		 02074323000
The timetable for the progression of the CP is as follows:		
Change Proposal timetable		
Change Proposal timetable:		
Activity	Date	
Initial Assessment Report Approved by Panel	20 February 2019	
Consultation issued to Parties	07 May 2019	
Change Report issued to Panel	15 May 2019	
Change Report issued for Voting	17 May 2019	
Party Voting Ends	10 June 2019	
Change Declaration Issued to Parties	12 June 2019	
Implementation	First DCUSA Release following approval	 07834 61994

1 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. The 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 the NCA.

Why?

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

2 Governance

Justification for Part 2 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, it is not considered to meet any of the criteria for a Part 1 Matter and should be treated as a Part 2 Matter.

Current Next Steps

- 2.2 The Working Group agrees that the next steps are to issue this consultation document to Parties for a period of three weeks.

3 Why Change?

Background of DCP 343

Use of the 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 the 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 the NCA by LDNOs; and
 - The average length of LV mains by LV end user on the DNO Party's own LV network which is currently provided to the 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. But 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 is clear on which information the DNO should use for deriving customer counts then there is no need for the 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 the 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 refer to the definitions of the 'HV split' and 'LV mains split' in Schedule 16. Since the implementation of DCP 234 'Merging the PCDM and extended PCDM' these values have been defined in Schedule 29. Hence this reference will be updated.
- 3.6 Clauses 42.12 and 42.13 require DNO and LDNOs to provide data to the NCA in October. The Proposer suggests that this is unnecessarily restrictive; hence will be amended to 'no later than the end of October'.

Q1: Do you understand the intent of DCP 343?

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

4 Working Group Assessment

DCP 343 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 343. This Working Group consists of DNOs and IDNO representatives. 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 the NCA to calculate the HV Split only. The current NCA has confirmed that the work is fairly evenly split between the LV Split and 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 Split', LDNOs are required to provide the NCA with their customer counts for customers connected to LDNO networks with DNO to LDNO boundary at LV. DNOs receive customer count and usage data for LDNO customers via the D0314 'Non Half Hourly Embedded Network DUoS Report' flow¹ over the Data Transfer Network (DTN). This data is broken down by customer type and DNO to LDNO boundary, (based on the Line Loss

¹ Details of the flow can be found on the MRASCO website:

<https://dtc.mrasco.com/DataFlow.aspx?FlowCounter=0314&FlowVers=1&searchMockFlows=False>

Factor Class (LLFC) assigned by the LDNO). So 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 split. The Working Group are seeking Party views on whether this would be the most appropriate source of information for the purposes of calculating the LV Split.

- 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 March 31st.

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 Split calculation? Please provide your rationale.

- 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 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.
- 4.6 The LV Split is determined based on the total LDNO customer count, not the count for an individual LDNOs 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 and the DNOs invoice based on that D0314, both of which detail 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:
- 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;
 - Report to each LDNO the customer count used for that LDNO and the combined total for all LDNOs for information only; or
 - 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 so supports option (c). The Working Group agreed with the Proposer and this has been reflected in the draft legal text provided with the consultation.

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.

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

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

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

5 Legal Text

DCP 343 Proposed Legal Text

- 5.1 The proposed changes to Clauses 42.12, 42.13 and paragraphs 33 and 34 of Schedule 29 can be found as attachment 2.
- 5.2 The legal text removes references to the NCA for the calculation of the 'LV mains split'. Changes are made to the specification of data required for that calculation in Schedule 29 to ensure commonality across all DNOs without use of an NCA.

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

6 Relevant Objectives

Assessment Against the DCUSA Objectives

- 6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives.
- 6.2 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 the NCA and improve efficiency for both DNOs and LDNOs by enabling DNOs to carry out the calculation of the 'LV mains split' internally.

6.3 It has been noted that there would be no impact on any of the other DCUSA Charging Objectives following the implementation of this Change Proposal.

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

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

7 Impacts & Other Considerations

7.1 This Change Proposal will have a positive impact on DNOs by reducing the costs incurred in procuring the NCA. It will also have a positive impact on LDNOs by reducing the amount of data required to be provided to the NCA.

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

7.2 There is no impact on any existing or anticipated SCR.

Consumer Impact

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

Environmental Impacts

7.4 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

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

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

8 Implementation

8.1 The proposed implementation date for DCP 343 is the first DCUSA Release following Party approval. The Proposer believes that the changes should be implemented as soon as possible to avoid the inefficient use of an NCA for the calculation of 2021/22 charges.

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.

9 Consultation Questions

9.1 The Working Group is seeking industry views on the following consultation questions:

Number	Questions
1	Do you understand the intent of DCP 343?
2	Are you supportive of the principles of DCP 343?

3	Do Parties agree that the D0314 flow relating to the most recent March 31 st is the most appropriate source customer count data for the LV Split calculation? Please provide your rationale.
4	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.
5	Do you agree with the proposed solution for this CP? Please provide your rationale.
6	Do you believe the Working Group should consider a different solution? If so, please provide your rationale.
7	Do you have any comments on the proposed legal text for DCP 343? Please provide your rationale.
8	Which of the DCUSA Charging Objectives does this CP better facilitate? Please provide supporting comments.
9	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
10	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.

9.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, **29 May 2019**.

9.3 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.

Attachments

- Attachment 1 – DCP 343 Consultation Response Form
- Attachment 2 – DCP 343 Proposed Legal Text
- Attachment 3 – DCP 343 Change Proposal Form