









Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 334:</h1> <h2>Update to Schedule 15 ('Cost Information Table') to maintain alignment with the distribution licence</h2> <p><i>Date Raised:</i> 12 November 2018</p> <p><i>Proposer Name:</i> Andrew Enzor</p> <p><i>Company Name:</i> Northern Powergrid</p> <p><i>Company Category:</i> DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>The intent of this change proposal is, subject to the successful implementation of associated licence changes, to align Schedule 15 ('Cost Information Table') with the latest version of the electricity distribution licence.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> • Treated as a Part 2 Matter • Treated as a Standard Change • Progressed to the Change Report phase <p>The Panel will consider the proposer's recommendation and determine the appropriate route.</p>	
	 <p>Impacted Parties:</p> <p>DNOs</p>	
	<p>Impacted Clauses:</p> <p>Schedule 15 Table 1.</p>	

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Indicative Timeline		 DCUSA@electralink.co.uk
The Secretariat recommends the following timetable:		 020 7432 3011
Initial Assessment Report	21 November 2018	Proposer:
Change Report Approved by Panel	19 December 2018	Andrew Enzor
Change Report issued for Voting	21 December 2018	 andrew.enzor@northernpowergrid.com
Party Voting Closes	09 January 2019	 07834 618994
Change Declaration Issued to Parties	11 January 2019	
Implementation Date	February 2019	

1 Summary

What?

- 1.1 Table 1 of Schedule 15 requires an update to reflect the proposed changes to the Principal Formula in charge restriction condition 2B 'Calculation of Allowed Pass-Through Items' (CRC2B) of the electricity distribution licence.
- 1.2 CRC2B is expected to be amended to reflect the introduction of two new pass-through terms representing:
 - costs associated with the appointment of a supplier of last resort (SoLR); and
 - eligible bad debt costs incurred by a Licensed Distribution Network Operator (LDNO) as a result of the insolvency of one or more electricity suppliers whose supply licence has subsequently been revoked.

Why?

- 1.3 The proposed changes to the electricity distribution licence would result in the introduction of new terms in the calculation of allowed distribution network revenue via the special conditions of the distribution licence. As a result, Table 1 of Schedule 15 would no longer align to the licence and so requires a housekeeping change, with a knock-on impact on Schedule 16 which requires DNOs to prepare a forecast of allowed revenue consistent with Table 1 of Schedule 15.
- 1.4 Ofgem has convened a distribution licence review group specifically looking at issues associated with the recovery of costs associated with the appointment of a SoLR and distributor bad debt costs, which has agreed that changes to the DCUSA should progress in parallel to the review of the licence to ensure an efficient and coordinated implementation. The proposed changes will not be implemented if the associated changes to the electricity distribution licence (which will be subject to statutory consultation) are not approved. This follows precedent set in other codes such as the Uniform Network Code (UNC).
- 1.5 As such, with this being a Part 2 matter, it is anticipated that the DCUSA Panel would approve this change proposal subject to the approval of consistent changes to the electricity distribution licence by the Authority.

How?

- 1.6 Table 1 of Schedule 15 should be updated to remain aligned with the proposed electricity distribution licence, namely the update to the Principal Formula in charge restriction condition 2B 'Calculation of Allowed Pass-Through Items' (CRC2B). This will have a knock-on impact on Schedule 16 which requires DNOs to prepare a forecast of allowed revenue consistent with Table 1 of Schedule 15.
- 1.7 Whilst this change proposal reflects the current proposed licence drafting, any solution implemented should represent the licence changes approved by the Authority following the statutory consultation period.

2 Governance

Justification for Part 1 and Part 2 Matter

- 2.1 The change does not meet any of the criteria for a Part 1 matter, as it is simply ensuring alignment between the distribution licence and the DCUSA is maintained.

Requested Next Steps

- 2.2 This Change Proposal should:
- Be treated as a Part 2 Matter
 - Be treated as a Standard Change
 - Proceed to Change Report

3 Why Change?

- 3.1 Following proposed changes to the electricity distribution licence, new terms will be present in the special conditions (the charge restriction conditions) of the licence which are not included in Table 1 of Schedule 15.
- 3.2 A minor update is required to Schedule 15 to include additional rows and so maintain consistency with the calculation of revenue allowances as specified in the Principal Formula in CRC2B of the licence. This will have a knock-on impact on Schedule 16 which requires DNOs to prepare a forecast of allowed revenue consistent with Table 1 of Schedule 15.

Part B: Code Specific Details

4 Solution and Legal Text

- 4.1 The solution is the inclusion of additional rows in Table 1 of Schedule 15, resolving the inconsistency between DCUSA and the distribution licence which would arise if the proposed changes to the licence were made and this change were not implemented. This will have a knock-on impact on Schedule 16 which requires DNOs to prepare a forecast of allowed revenue consistent with Table 1 of Schedule 15.

Legal Text

- 4.2 Draft legal text for Schedule 15 is provided as attachment 1. The Annual Review Pack will also require update in due course to remain aligned with the updated Common Distribution Charging Methodology (CDCM) model should this change be approved, hence the model version number in Schedule 20 should be updated.

Text Commentary

- 4.3 The change introduces new rows to Table 1 of Schedule 15 which is aligned to the way in which other pass-through items are included in Schedule 15.

5 Code Specific Matters

Reference Documents

- 5.1 Links to reference documents are included in footnotes throughout.

6 Relevant Objectives

DCUSA Charging Objectives	Identified impact
<input checked="" 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	Positive
<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 checked="" 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	Positive
<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

Charging objective one: better facilitated by ensuring that the DCUSA remains aligned to the distribution licence and ensuring that the charging methodologies enable transparent and equitable recovery of costs which the distribution licence requires the DNO to incur.

Charging objective two: no impact.

Charging objective three: no impact.

Charging objective four: better facilitated by ensuring the DCUSA remains aligned with the distribution licence and keeps pace with recent developments in the supply market where multiple suppliers have recently had their supply licence revoked.

Charging objective five: no impact.

Charging objective six: better facilitated by maintaining alignment between the DCUSA and the distribution licence.

7 Impacts & Other Considerations

7.1 This change will have an impact on DNOs only.

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

7.2 No.

Does this Change Proposal Impact Other Codes?

7.3 No other codes are impacted by this change proposal.

BSC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
SEC	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input checked="" type="checkbox"/>

Consideration of Wider Industry Impacts

7.4 The change has been discussed by a group which has been convened to specifically address issues associated with the recovery of costs associated with the appointment of a SoLR and distributor bad debt costs, consisting of DNOs and Ofgem representatives.

Confidentiality

7.5 Non-confidential.

8 Implementation

- 8.1 Upon implementation of the proposed changes to the electricity distribution licence, the change should be implemented as soon as possible to reflect the latest version and allow DNOs to submit forecasts of allowed distribution network revenue (and constituent parts) in a manner consistent with the latest version of the licence.

Proposed Implementation Date

- 8.2 Earliest possible DCUSA document release after the Authority has approved the associated changes to the electricity distribution licence.

9 Recommendations