




DCUSA Change Report	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>Raised on 12 November 2018 as a Standard Change</i></p>	01 – Change Proposal
	02 – Consultation
	03 – Change Report
	04 – Change Declaration
<p><b>Purpose of Change Proposal:</b></p> <p>The intent of DCP 334 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>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 334 – Update to Schedule 15 ('Cost Information Table') to maintain alignment with the distribution licence</p> <p>DCP 334 is considered a Part 2 matter and Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>18 January 2019</b>.</p> <p>The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.</p>
	<p>Parties Impacted: Primarily <b>DNOs</b> when populating the tables; also, recipients of the tables (primarily <b>Suppliers</b> and <b>IDNOs</b>).</p>
	<p>Impacted Clauses: <b>Schedule 15, Table 1</b></p>

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Any questions?

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## Timetable

The timetable for the progression of the CP is as follows:

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	21 November 2018
Change Report Approved by Panel	19 December 2018
Change Report issued for Voting	21 December 2018
Party Voting Closes	18 January 2019
Change Declaration Issued to Parties	22 January 2019
Implementation	First DCUSA release after implementation of associated changes to the distribution licence

## 1 Executive 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 Licenced 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 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 DCUSA 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 CP 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 CP 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 2 Matter

- 2.1 The Panel reviewed DCP 334 and noted that the Proposer's opinion was that the change should be treated as a Part 2 matter. The Panel agreed that Authority consent would not be necessary for this CP as there are no material changes to DCUSA being made and the change is simply ensuring alignment between the distribution licence and the DCUSA is maintained.

### Requested Next Steps

- 2.2 The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 334.
- 2.3 The DCUSA Panel recommends that this CP:
- Be issued to Parties for Voting.

## 3 Why Change?

### Background of DCP 334

- 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.

## 4 Solution

### DCP 334 Assessment

- 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.

## 5 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives.
- 5.2 The CP form provided as Attachment 3, details which of the DCUSA Objectives the Proposer considers DCP 334 better facilitates.

#### Impact of the Change Proposal on the Relevant Objectives:

Relevant Objective	Identified impact
Charging Objective One – 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 it's Distribution Licence	Positive
Charging Objective Four – 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
Charging Objective Six – That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration	Positive

- 5.3 DCUSA Charging Objective One is better facilitated by this CP 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 required the DNO to incur.
- 5.4 DCUSA Charging Objective Four is better facilitated by this CP 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.
- 5.5 DCUSA Charging Objective Six is better facilitated by this CP by maintaining alignment between the DCUSA and the distribution licence.

## 6 Impacts & Other Considerations

- 6.1 This CP will primarily have an impact on DNO Parties, who are required to publish revenue forecasts in the format of Table 1 of Schedule 15. There will also be an impact on Parties who use those forecasts (primarily suppliers) – if this change were not made there would be an adverse

impact on those Parties as the forecasts published would not reflect the actual calculation of revenue allowances defined in the licence.

- 6.2 The CP has been discussed by a group (consisting of DNO and Ofgem representatives) 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.

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

- 6.3 No. Changes to the distribution licence will be made in isolation of the Targeted Charging Review and proposed access and forward-looking charges SCRs. Ofgem has recently consulted on changes to the supply and distribution licences to improve industry processes triggered by supplier failure. This CP supports those licence changes and enables their full value to be realised.

### **Consumer Impacts**

- 6.4 No consumer impacts have been identified.

### **Environmental Impacts**

- 6.5 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 334 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

## **7 Implementation**

- 7.1 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.
- 7.2 Hence (if approved) the changes will be implemented in the earliest possible DCUSA document release after the Authority has approved the associated changes to the electricity distribution licence.

## **8 Legal Text**

- 8.1 The legal text for DCP 334 has been recommended by the Proposer and reviewed by the DCUSA legal advisor and is provided as Attachment 1.
- 8.2 The legal text 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.

- 8.3 Both the Common Distribution Charging Methodology (CDCM) model and the Annual Review Pack (ARP) will require an update in due course (i.e. for the next charges publication following implementation, likely to be 2021/22 published in December 2019) to remain aligned with the updated rows of Schedule 15 Table 1. Hence the model numbers in both Schedule 16 and Schedule 20 should be updated.
- 8.4 The Proposer is satisfied that the legal text meets the intent of the change.

## 9 Code Specific Matters

### Modelling Specification Documents

- 9.1 Not applicable.

### Reference Documents

- 9.2 Not applicable.

## 10 Recommendations

### Panel's Recommendation

- 10.1 The Panel approved this Change Report on 19 December 2018. The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 334.
- 10.2 The Panel have recommended this report be issued for voting and DCUSA Parties should consider whether they wish to submit views regarding this CP. The Voting Form can be found in Attachment 2.

### Attachments

- Attachment 1 – DCP 334 Legal Text
- Attachment 2 – DCP 334 Voting Form
- Attachment 3 – DCP 334 Change Proposal