




DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 325</h2> <h3>Reviewing the requirements of Sections 35A ('Provision of Cost Information'), 35B ('Production of the Annual Review Pack'), Schedule 15 ('Cost Information Table') and Schedule 20 ('Production of the Annual Review Pack')</h3> <p>11 July 2018</p> <p>Standard Change</p>		<div>01 – Change Proposal</div> <div>02 – Consultation</div> <div>03 – Change Report</div> <div>04 – Change Declaration</div>
<p>Purpose of Change Proposal:</p> <p>The intent of this change is to combine, review, and if appropriate amend the requirements of Section 35A, Section 35B, Schedule 15 and Schedule 20 to improve transparency and efficiency in the data published by DNOs.</p>		
	<p>This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 325.</p> <p>The Working Group recommends that this Change Proposal should proceed to Consultation.</p> <p>Parties are invited to consider the questions set in section 9 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 05 November 2018.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>	
	Impacted Parties: All	
	Impacted Clauses: Clauses 35A and 35B and Schedules 15 and 20	

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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	18 July 2018
First Consultation issued to Parties	08 October 2018
Second Consultation issued to Parties	January 2019
Change Report issued to Panel	10 April 2019
Change Report issued for Voting	19 April 2019
Party Voting Ends	14 May 2019
Change Declaration Issued	16 May 2019

1 Summary

What?

- 1.1 Clause 35A (supported by Schedule 15) requires each DNO Party to publish cost information on a quarterly basis. This consists of:
 - a forecast of its revenue allowances for the current regulatory year and the following four regulatory years ('table 1');
 - an indication of the likely range within which given allowances could vary ('table 2'); and
 - illustrative Common Distribution Charging Methodology (CDCM) tariffs.
- 1.2 Clause 35B (supported by Schedule 20) requires each DNO Party to publish an 'annual review pack' (ARP) at the time of setting charges in December each year. This consists of:
 - historical CDCM input information for the previous three years;
 - forecast CDCM input information for the next five years;
 - illustrative tariffs for the next five years based on the forecast inputs provided;
 - functionality to enable a user to amend any of the forecast inputs and recalculate illustrative tariffs; and
 - details of the values calculated for each year where CDCM inputs have been calculated based on a three-year average, most notably the load characteristics and peaking probabilities.
- 1.3 This change seeks to:
 1. combine the requirements of Clause 35A and 35B alongside the two accompanying schedules;
 2. review the requirements to determine whether the information provided is useful to stakeholders, whether it is presented in a useful format, and whether some duplication could be removed; and
 3. if appropriate following stage two, amend the requirements to enable DNOs to provide stakeholders with better quality information whilst reducing duplication.

Why?

- 1.4 There is significant crossover between the requirements of Clause 35A and Clause 35B, without sufficient alignment to enable use of a common template. This results in some cases of the same or similar information being published in a different format in the two publications, which is inefficient to produce and risks being misleading for users.
- 1.5 Recent feedback from some industry parties during the process of developing the new DCUSA charging methodology models suggests that parties may not use the functionality to amend forecast CDCM inputs and recalculate tariffs in the ARP. This may be due to the requirement on distributors to give 15 months' notice of a change to Use of System charges. The ARP was developed at a time when distributors were only required to give three months' notice of a change to Use of System charges. The sensitivity of tariffs to changes in CDCM inputs is primarily of interest for charges which have not yet been published which are now much further into the future than when the ARP was put in place. The

functionality to recalculate tariffs adds significant complexity into the ARP, and as a result reduces the transparency and usability of the information provided.

- 1.6 It should be straightforward for DNOs to provide more useful information in a more succinct manner – thus improving both the efficiency of provision and usefulness of the output.
- 1.7 Clause 35A also requires DNOs to convene a meeting to present the most recently submitted information. This meeting could be more efficiently arranged and conducted if responsibility for it lay with the Secretariat rather than DNOs, in line with the arrangements introduced for the Distribution Charging Methodologies Development Group (DCMDG).

How?

- 1.8 The requirements of Clause 35A and Clause 35B should be combined, reviewed and, if appropriate, amended, alongside combining the details given in Schedule 15 and Schedule 20 into a single publication. A 'first draft' of a proposed template for submission was provided as an attachment to the Change Proposal (CP) form. This template sought to standardise the years for which data is provided, and to link the years required more closely to the Price Control Periods, so would require publication of data from the start of the Price Control Period which was in place two years prior to the current year up to the later of four forecast years or the end of the current Price Control Period. The proposer provided this template as a starting point for discussions and in doing so did not intend to restrict the ability of the Working Group to review and, if appropriate, amend the requirements of the combined sections in full. The Proposer set out their view that a Working Group should ensure, by consultation with industry, that removal of any information or functionality which the solution seeks to remove is not detrimental to stakeholders.
- 1.9 The publication timetable should also be considered – a simple amalgamation of the publication requirements of Clause 35A and Clause 35B would result in five publications of the same template each year (quarterly in February, May, August and November as per Clause 35A, and annually with the publication of final charges by December 31st as per Clause 35B); however this could be given further consideration to ensure the timing of publications is appropriate, for example taking into account HM Treasury RPI forecasts which are currently released shortly after the quarterly submissions, rendering the information out of date very soon after publication.
- 1.10 It is also the view of the Proposer that a Working Group should consider whether the provision of a model template (as is currently the case in Schedule 20) would be appropriate once the two sections have been combined.
- 1.11 Finally, the Proposer suggested that a current requirement on DNOs in Clause 35A to convene a meeting (known as the 'DCP 066A Teleconference') could be amended to require that the Secretariat convenes such a meeting, at which all DNOs will be required to present their latest forecast information, and to which all supplier and IDNO Parties will be invited.

2 Governance

Justification for Part 2 Matter

- 2.1 This change has no impact on Use of System charges calculated, and only on the supplementary information published. Whilst the change may result in less information being directly published (e.g. if the functionality to recalculate charges based on forecast input data were removed), the same level of information would be published to enable users to calculate this information, simply using the data in the published CDCM model. Hence the change is not expected to have an impact on competition and does not impact any of the other areas listed in clause 9.4, so is considered to be a Part 2 matter.

Requested Next Steps

- 2.2 Following a review of the Consultation responses, the Working Group will work to agree the detail of the solution for DCP 325. Any such detailed solution developed by the Working Group will be the subject of a further industry consultation before the preparation of a change report is considered.

3 Why Change?

Background of DCP 325

- 3.1 There is significant crossover between the requirements of Clause 35A and Clause 35B, without sufficient alignment to enable use of a common template. This results in some cases of the same or similar information being published in a different format in the two publications, which is inefficient to produce and risks being misleading for users.
- 3.2 For example, both Clause 35A and Clause 35B effectively require a completed 'table 1' to be published (explicitly for Clause 35A, and because it is a CDCM input and so required for Clause 35B). The implications of the requirement to give 15 months' notice of a change to Use of System charges (introduced by DCP 178 – 'Notification Period for Change to Use of System Charges'¹) has created an inconsistency in the years provided (Clause 35A requires four forecast years from the current regulatory year, whilst Clause 35B requires CDCM input information for the next five years at the time of publication – these were aligned prior to DCP 178, but now result in Clause 35B requiring an extra year forecast to Clause 35A).
- 3.3 Both Clause 35A and Clause 35B require a view of illustrative charges for the forecast years, but this is currently provided in a different format in the two templates. It would be more efficient, both for the DNOs when populating the information and users when receiving it, if both datasets were in a consistent format.

¹ [DCP 178 'Notification Period for Change to Use of System Charges'](#)

- 3.4 The ARP currently requires DNOs to populate a forecast of all CDCM inputs for the next five years. In the most recent published versions, the vast majority of these inputs have been held at the latest published values. Cost inputs have generally been uplifted by RPI in the forecast inputs, with the only inputs actually updated being the number of days in the year and the number of hours in each time band. The forecast inputs add complexity to the ARP, but as long as they are simply held at the published levels, they add little value.
- 3.5 Recent feedback from some industry parties during the process of developing the new DCUSA models suggests that parties may not use the functionality to amend forecast CDCM inputs and recalculate tariffs in the ARP. Again, this may be due to the requirement on distributors to give 15 months' notice of a change to Use of System charges. The ARP was developed at a time when distributors were only required to give three months' notice of a change to Use of System charges. The sensitivity of tariffs to changes in CDCM inputs is primarily of interest for charges which have not yet been published which are now much further into the future than when the ARP was put in place. This functionality adds significant complexity into the ARP, and as a result reduces the transparency and usability of the information provided. In any case, a user wishing to test the sensitivity of a given input can do so using the published CDCM model. Consideration should be given to removing the requirement to provide the functionality to recalculate tariffs for the forecast period, and perhaps to require the publication of an illustrative updated CDCM model for the first forecast year in its place.
- 3.6 Clause 35A also requires DNOs to convene a meeting (known as the 'DCP 066A Teleconference') to present the most recently submitted information. This meeting could be more efficiently arranged and conducted if responsibility for it lay with the Secretariat rather than DNOs, in line with the arrangements introduced for the DCMDG.

Question 1 – Do you understand the intent of DCP 325?

Question 2 – Are you supportive of the intent DCP 325?

4 Code Specific Matters

Reference Documents

- 4.1 [DCP 066A 'Enhanced Provision of Cost Information'](#)
- 4.2 [DCP 178 'Notification Period for Change to Use of System Charges'](#)

5 Working Group Assessment

DCP 325 Working Group Assessment

- 5.1 The DCUSA Panel established a Working Group to assess DCP 325. This Working Group consists of DNO, IDNO and Supplier 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.
- 5.2 The Working Group decided that the most appropriate action to progress this change would be to initially consult on each of the aspects of this CP, i.e. Cost Information Table publications, ARP publications, publication timetables and the meeting required to be convened by DNO parties under Clause 35A (often referred to as the 'DCP66A' teleconference which takes place quarterly).

Provision of Cost Information and Tables

- 5.3 Currently, DNOs are expected to complete three different tables, contained within Schedule 15 of DCUSA, which set out their forecasted tariffs for five regulatory years. These are published on the public section of the DCUSA Website, and so are available to view by any interested party.
- 5.4 The Working Group agreed that the publication can be bulky and there is some mis-alignment between the information published by different DNOs. This CP is looking to improve the transparency and the efficiency in the data that is published – commonality would be one way in which increased transparency could be achieved.
- 5.5 Attachment 3 sets out a proposed new template that the DNOs would use to submit their forecasted tariffs. The Working Group is seeking industry views on the current template and whether the Working Group should consider any further amendments to their proposed template.

Question 3 – What additions or amendments, if any, do you think should be made to Table 1?

Question 4 – Is Table 2 useful? Can it be improved, if so, how?

Question 5 – Do Parties have any suggested amendments to Table 3? Do you expect the additional space for DNO commentary in the proposed template to be beneficial?

- 5.6 The Working Group discussed the maintenance of the Cost Information Tables and is seeking industry views on whether they should be included within the DCUSA or whether they should be maintained by the DNOs and only an obligation for them to be completed included in the DCUSA.
- 5.7 At present the tables are maintained within the DCUSA. This has the benefit that a good level of commonality is maintained between DNO publications but has the disadvantage that a DCUSA change is required each time the algebra for the calculation of revenue allowances is updated in the distribution licence. If the DCUSA were to include only an obligation to complete the tables but not a strict definition of the tables themselves, then DNOs would be able to make updates to the tables whenever there is a change to the calculation of allowances in the distribution licence, but DNOs could feasibly provide the same information in different formats.

Question 6 – Should the Cost Information Tables be contained within the DCUSA or should the DCUSA only set out the obligation to complete tables without specifying their exact format? If you believe they should be removed, who should maintain them? Please provide your rationale.

Annual Review Pack

- 5.8 The ARP is completed by each DNO Party and provides historical and forecast CDCM inputs and a forecast of use of system tariffs for the next five years. The ARP for each DNO is published on the DCUSA Website in January each year.
- 5.9 The Working Group discussed the ARP and noted that when it is populated, the DNO can make a number of assumptions and the information set out is only intended as an expectation at a point in time. Actual DUoS charges differ significantly from the illustrative tariffs set out in the ARP as additional information becomes available between the publication of the ARP and the publication of final tariffs for each of the forecast years.
- 5.10 The Working Group is seeking views on whether parties use the ARP, what elements of the publication they find useful (if any) and whether there would need to be any amendments made to the publication to make it more useful. Working Group members noted that responses to these questions will be treated as confidential and will be anonymised to both Working Group members and external parties.

Question 7 – Do you use the ARP? If so, for what purpose?

Question 8 – Are there any elements of the ARP that you find useful or not useful? For elements that are not useful, is there a reason to retain them?

Question 9 – Would it be beneficial to combine the ARP and the Cost Information Tables? Please provide your rationale.

Publication Timetable

- 5.11 By the fifth Working Day of May, August, November and February in each year, each DNO is obliged to complete a copy of the Cost Information Tables contained within Schedule 15.
- 5.12 The Working Group discussed the timescales for the reporting years within the forecasted tariffs and agreed that these can occasionally be ambiguous and have been inconsistent in the number of years that are forecasted. When developing a solution, the Working Group will consider this and will aim to future proof the requirements in regards to RIIO-ED2 and future price controls.
- 5.13 DNOs' revenue allowances as determined in the special conditions of the distribution licence are mostly given in 2012/13 prices. The distribution licence requires DNOs to use forecast retail price indices (RPI)

from the November publication of the HM Treasury Forecasts for the UK economy for the regulatory year which starts from the following April when converting revenue allowances from 2012/13 prices to nominal charging year prices (e.g. the November 2017 publication was used to nominalise 2018/19 revenue allowances).

- 5.14 The HM Treasury publication is published on a quarterly basis in February, May, August and November on the third Wednesday in the month, with the publications in February, May and August used to update the RPI information in the forecasts of revenue allowances required by Clause 35A ahead of the final values being included in the November publication.
- 5.15 The timing of the HM Treasury publications falls shortly after the submission deadlines required by Clause 35A, meaning that the information published by DNOs is reliant on the previous HM Treasury publication (e.g. the DNOs' published revenue allowances forecasts in May will use the February HM Treasury publication as the May publication will not yet have been issued) and is out of date very soon after it has been issued (when the HM Treasury publication is released). A suggestion was highlighted, that the Working Group should consider aligning publication of the Schedule 15 forecasts with the Forecasts for the UK economy publications from HM Treasury. The Working Group is seeking industry views on whether it would be beneficial to do so.

Question 10 – Would it be beneficial to align the publication timescales with those used by HM Treasury for the Forecasts for the UK economy publication? Please provide rationale.

- 5.16 The Working Group discussed the potential of publishing a consolidated set of tables which combined the useful elements of the ARP and Schedule 15 publications into a single quarterly publication. There were varying views within the group as to whether this would be beneficial or whether it would be more time consuming to do so. Working Group members are seeking industry views in this area.

Question 11 – Is there benefit in providing a consolidated set of tables on a quarterly basis, which would combine useful elements of the ARP and Schedule 15 publications? Please provide your rationale.

- 5.17 Within clause 35A.7 of DCUSA, it is stated that DNO Parties should convene a meeting within 20 Working Days of each quarterly publication, to which all IDNO and Supplier Parties are invited, for the DNOs to provide understanding of the data presented within the published Cost Information Tables, including an explanation of the reasons behind any changes made to estimates since the last tables were prepared. These calls are currently held via the Energy Networks Association on behalf of the DNOs and are often referred to as the 'DCP 066A Teleconference'.
- 5.18 The Proposer of the CP believes that the meeting could be more efficiently arranged and conducted if responsibility for it lay with the DCUSA Secretariat rather than the DNOs.

Question 12 – Do you find the meetings convened under clause 35A (known as the ‘DCP 066A teleconference’) useful? Are there any improvements that should be made and who should be responsible for hosting them? Please provide your rationale.

6 Relevant Objectives

Assessment Against the DCUSA Objectives

6.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 2.

DCUSA General Objectives	
1 – The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	
2 – 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	
3 – The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	
4 – The promotion of efficiency in the implementation and administration of the DCUSA	
5 – 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	

6.2 When this CP was raised, the Proposer highlighted which of the DCUSA Charging Objectives they believed would be better facilitated by the implementation of the change. However, following on from discussion at the Working Group, it was determined that the CP should be set against the DCUSA General Objectives as there would be no material impacts on the calculations within the charging methodologies.

6.3 The Working Group is seeking industry views on which of the DCUSA General Objectives would be better facilitated by the intent of this CP.

Question 13 – Which of the DCUSA General Objectives do you believe would be better facilitated by the intent of the DCP? Please provide your rationale.

7 Impacts & Other Considerations

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

7.1 This change does not impact any SCR currently in progress.

Consumer Impacts

7.2 This change does not impact consumers.

Environmental Impacts

7.3 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 325 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Code Administrator Impacts

7.4 This change is expected to impact the DCUSA Code Administrator in the following ways:

- Amending processes/procedures related to the cost information tables and their publication;
- Amending processes/procedures related to the annual review pack and its publication;
- Possible updates to the DCUSA website to include a new section for new documentation; and
- The provision of a meeting, or multiple meetings, for the purpose of each DNO presenting their respective 'Provision of Tariff Forecasts'/'Schedule 15 Tables' to Suppliers and IDNOs.

Question 14 – 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 325 is the first scheduled release following approval, however, this is still under review by the Working Group whilst the solution is developed. Respondents are invited to consider whether they agree with the proposed implementation date.

Question 15 – The proposed implementation date for DCP 325 is the first scheduled DCUSA release following approval. Do you agree with the proposed implementation date?

9 Consultation Questions

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

No.	Questions
1	Do you understand the intent of the DCP 325?
2	Are you supportive of the intent of the DCP 325?
3	What additions or amendments, if any, do you think should be made to Table 1?
4	Is Table 2 useful? Can it be improved, if so, how?
5	Do Parties have any suggested amendments to Table 3? Do you expect the additional space for DNO commentary in the proposed template to be beneficial?
6	Should the Cost Information Tables be contained within the DCUSA or should the agreement only set out the obligation to complete the tables without specifying their exact format? If you believe they should be removed, who should maintain them? Please provide your rationale.
7	Do you use the ARP? If so, for what purpose?
8	Are there any elements of the ARP that you find useful or not useful? For elements that are not useful, is there a reason to retain them?
9	Would it be beneficial to combine the ARP and the Cost Information Tables? Please provide your rationale.
10	Would it be beneficial to align the publication timescales with those used by HM Treasury for the Forecasts for the UK economy publication? Please provide your rationale.
11	Is there benefit in providing a consolidated set of tables on a quarterly basis, which would combine useful elements of the ARP and Schedule 15 publications? Please provide your rationale.
12	Do you find the meetings convened under clause 35A (known as the 'DCP066A teleconference') useful? Are there any improvements that should be made and who should be responsible for hosting them? Please provide your rationale.
13	Which of the DCUSA General Objectives do you believe would be better facilitated by the proposed intent of the DCP? Please provide your rationale.
14	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
15	The proposed implementation date for DCP 325 is the first scheduled DCUSA release following

	approval. Do you agree with the proposed implementation date?
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9.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, **05 November 2018**.

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.

10 Attachments

- Attachment 1 – DCP 325 Consultation Response Form
- Attachment 2 – DCP 325 Change Proposal Form
- Attachment 3 – DCP 325 Proposed Cost Information Tables Template