




Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 311:</h1> <h2>Clarification of NUF cap and collar calculations</h2> <p>Date raised: 6th October 2017</p> <p>Proposer Name: Andrew Enzor</p> <p>Company Name: Northern Powergrid</p> <p>Company Category: DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>The intent of this Change Proposal is to modify schedules 17 and 18 to clarify which years should be used when determining NUF caps and collars to be applied for each charging year, and to remove an additional year lag which has been built into the legal text for the cap and collar calculations for 2023/24 charges.</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 1 Matter • Treated as a Standard Change • Proceed to a Working Group <p>The Panel will consider the proposer's recommendation and determine the appropriate route.</p>	
	Impacted Parties: DNOs	
	Impacted Clauses: Schedule 17 and 18, clause 18.8	

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 Any questions?

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Indicative Timeline

The Secretariat recommends the following timetable:

Initial Assessment Report	11 October 2017
Consultation Issued to Industry Participants	TBC
Change Report Approved by Panel	17 January 2018
Change Report issued for Voting	19 January 2018
Party Voting Closes	09 February 2018
[Change Declaration Issued to Authority]	13 February 2018
[Authority Decision]	20 March 2018

1 Summary

What?

The existing legal text (introduced by DCP 138 – 'Implementation of alternative network use factor (NUF) calculation method in EDCM') is not clear regarding which years of data should be used when calculating NUF caps and collars for use in the Extra High Voltage (EHV) Distribution Charging Methodology (EDCM). There is also an additional year lag built into the three year average used to calculate cap and collar NUFs for 2023/24 – 2025/26 charges over the preceding three year period, which should be rectified.

Why?

As it stands, the legal text which determines which years' data should be used when calculating NUF caps and collars is not clear on whether the year being referenced is the charging year or data year, and

in fact appears to be a mixture of the two. Clarity is required to ensure that all DNOs use the average of the same three years when caps and collars are calculated for 2020/21 charges (in 2018), and so to ensure that the intent of the methodology is reflected in the data used. The latest available data should be used to ensure cost-reflectivity of charges, and hence the additional year lag for 2023/24 – 2025/26 charges should be removed to maintain cost-reflectivity.

How?

Amend table 7 of schedule 17 and table 23 of schedule 18 to explicitly refer to charging years and data years where applicable.

2 Governance

Justification for Part 1 and Part 2 Matter

The change is believed to be a Part 1 matter as the calculation of NUF caps and collars impacts charges for all EDCM customers.

Requested Next Steps

This Change Proposal should:

- Be treated as a Part 1 Matter
- Be treated as a Standard Change
- Proceed to a Working Group

3 Why Change?

2014/15 – 2016/17

The existing legal text states that for charging years 2014/15 – 2016/17, the average of 2011/12, 2012/13 and 2013/14 NUFs should be used. It is not clear whether this refers to NUFs calculated based on 2011/12, 2012/13 and 2013/14 data; or calculated based on NUFs used for 2011/12, 2012/13 and 2013/14 charges setting. However, given 2014/15 charges were set in December 2013 (i.e. partway through 2013/14), 2013/14 data would not have been available, and hence this legal text would only be feasible if it refers to NUFs used for 2011/12, 2012/13 and 2013/14 charges.

2017/18 – 2019/20

The existing legal states that for charging years 2017/18 – 2019/20, 2015/16 caps/collars as per table 6A or 22A (for schedule 17 and 18 respectively) should be used. This cannot refer to NUFs based on 2015/16 data, as 2017/18 charges were set in December 2015 (partway through 2015/16), but also does not refer to NUFs used for 2015/16 charges as these were based on the pre-DCP 138 NUF calculation methodology. The legal text should be clarified to show that these NUFs are based on applying the post-DCP 138 methodology to data used for 2015/16 charges.

2020/21 – 2022/23

The existing legal text states that for charging years 2020/21 – 2022/23, the average of 2015/16, 2016/17 and 2017/18 NUFs should be used. If this were to follow the same principle as 2014/15 – 2016/17, the caps and collars would be calculated on out of date data, and on a mixture of NUFs calculated based on the pre-DCP 138 (2015/16 and 2016/17) and post-DCP 138 (2017/18) methodologies. Hence it is

believed that this intends to refer to NUFs calculated based on 2015/16, 2016/17 and 2017/18 data, which were/will be used for 2018/19, 2019/20 and 2020/21 charges respectively. The legal text should be updated to ensure that this is not open to interpretation.

2023/24 – 2025/26

The existing legal text states that for charging years 2023/24 – 2025/26, the average of 2017/18, 2018/19 and 2019/20 NUFs should be used. Following the same principle as established for 2020/21 – 2022/23, this should be interpreted as NUFs calculated based on 2017/18, 2018/19 and 2019/20 data, which will be used for 2020/21, 2021/22 and 2022/23 charges respectively. The legal text should be updated to ensure that this is not open to interpretation. The additional year lag which has been built in for 2023/24 charges should also be removed, i.e. the caps and collars should be calculated based on NUFs used for 2021/22, 2022/23 and 2023/24 charges, which will be the most up to date data available at the time of setting charges.

Part B: Code Specific Details

4 Solution and Legal Text

Table 7 of schedule 17 and table 23 of schedule 18 should be updated to refer directly to NUFs used for charging years to remove the ambiguity which currently exists. Table 6A of schedule 17 and table 22A of schedule 18 should also be renamed to more accurately reflect their contents.

Legal Text

The proposed legal text is included as an attachment.

Text Commentary

The attached draft legal text seeks to clarify the data which should be used when calculating cap and collar NUFs by referring to NUFs used for charging years only, as opposed to the existing legal text which mixed charging and data years.

5 Code Specific Matters

Reference Documents

n/a

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 checked="" 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	Positive
<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
<p>Charging objective one will be better facilitated by ensuring that DNOs are able to comply with the legal text of the DCUSA.</p> <p>Charging objective three will be better facilitated by removing an unnecessary year lag in the calculation of NUF caps and collars, and so ensure that the latest and most up to date available network data is used when setting charges.</p> <p>Charging objective six will be better facilitated by ensuring that the legal text is unambiguous, and the calculation of caps and collars in 2018 for use in 2020/21 charges can be carried out efficiently.</p>	

7 Impacts & Other Considerations

This change will have an impact on DNOs, as it will enable them to easily provide the appropriate data for the calculation of NUF caps and collars. It will also have an impact on consumers, as it will impact the level of UoS charges for EDCM customers, although the only change anticipated to charges as a result of the change is from 2023/24 onwards.

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

No

Does this Change Proposal Impact Other Codes?

- BSC ☐
- CUSC ☐
- Grid Code ☐
- MRA ☐
- SEC ☐
- Other ☐
- None ☐

Consideration of Wider Industry Impacts

Discussion proposed at October DCMDG prior to submission

Confidentiality

Non-confidential

8 Implementation

Proposed Implementation Date

First scheduled DCUSA release following Authority approval.

9 Recommendations

Part C: Guidance Notes for Completing the Form

Ref	Section	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	Governance	<p>A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.</p> <p>Part 1 Matter</p> <p>A change Proposal is considered a Part 1 Matter if it satisfies one or more of the following criteria:</p> <p>a) it is likely to have a significant impact on the interests of electricity consumers;</p> <p>b) it is likely to have a significant impact on competition in one or more of:</p> <ul style="list-style-type: none"> i. the generation of electricity; ii. the distribution of electricity; iii. the supply of electricity; and

		<p>iv. any commercial activities connected with the generation, distribution or supply of electricity;</p> <p>c) it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties);</p> <p>i. it is directly related to the safety or security of the Distribution Network; and</p> <p>ii. it concerns the governance or the change control arrangements applying to the DCUSA; and</p> <p>iii. it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A.</p> <p>Part 2 Matter</p> <p>A CP is considered a Part 2 Matter if it is proposing to change any actual or potential provisions of the DCUSA which does not satisfy one or more of the criteria set out above.</p>
3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.
4	Proposed Solution and Draft Legal Text	<p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions.</p> <p>The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>
5	Proposed Implementation Date	<p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes into consideration the minimum notice periods for publishing tariffs. These are:</p> <ul style="list-style-type: none"> 15 months, for DNOs acting within their Distribution Services Areas; or 14 months, for IDNOs and DNOs acting outside their Distribution Services Area. <p>Please select an implementation date that provides sufficient time for the Change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected in future tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases dcusa@electralink.co.uk.</p>

6	Impacts & Other Considerations	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.
7	Environmental Impact	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see Ofgem Guidance .
8	Confidentiality	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem
9	DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
10	Detailed Rationale for DCUSA Objectives	Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal.
12	Defining 'Material' for Charging Methodology Changes	In respect of proposals to vary one or more of the Charging Methodologies, such proposals shall be deemed to be "material" if they might reasonably be expected to have a significant impact on the tariffs calculated under one or more of the methodologies.