# Analysis of the impact of DCP 306

02 January 2018, Reckon LLP

* 1. This document along with appendices presents the results of our analysis of the impact of a modelling change to implement a DCP 306 specification.

## Input data

* 1. The input data for this impact assessment are mostly based on data drawn from companies’ published 2018/2019 charging models (except SP Energy Networks), complemented by:
     1. Populated SP Energy Networks Method M models for 2018/19 received from ElectraLink on 13 December 2017; and
     2. Ofgem licence fees in 2007/2008 extracted from table 2.6 in our archived copies of legacy method M models.
  2. Table 1 shows the Ofgem licence fees in 2007/2008 for each DNO area in absolute terms and as a proportion of total allowed revenue in 2007/2008.

1. Table 1 Ofgem licence fees in 2007/2008 according to legacy method M models

| **DNO area** | **Ofgem licence fees £** | **Proportion of allowed revenue** |
| --- | --- | --- |
| ENWL | 1,051,200 | 0.40% |
| NPG Northeast | 900,000 | 0.48% |
| NPG Yorkshire | 1,200,000 | 0.50% |
| SPEN SPD | 888,900 | 0.26% |
| SPEN SPM | 661,500 | 0.32% |
| SSEN SEPD | 1,300,000 | 0.31% |
| SSEN SHEPD | 300,000 | 0.17% |
| UKPN EPN | 1,600,000 | 0.43% |
| UKPN LPN | 1,000,000 | 0.36% |
| UKPN SPN | 1,000,000 | 0.50% |
| WPD EastM | 1,450,093 | 0.49% |
| WPD SWales | 500,000 | 0.29% |
| WPD SWest | 719,996 | 0.33% |
| WPD WestM | 1,450,093 | 0.51% |

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## Presentation of the results

* 1. Our analysis compared LDNO discount percentages before and after DCP 306. We also looked at the impact of changing LDNO discounts on end user tariffs.
  2. We present the full results of our analysis in Appendix 1, which comprises the following sets of documents:
     1. The file labelled “DCP 306 impact on discount percentages (by DNO)” shows the impact of DCP 306 on LDNO discount percentages for all combinations of boundary and end user tariffs. This includes both CDCM (method M) and EDCM (extended method M) discounts.
     2. The file labelled “DCP 306 impact on end user tariffs (by DNO)” shows the impact of DCP 306 on CDCM end user tariffs. The expected impact of DCP 306 on EDCM site-specific end user tariffs is negligible.
     3. The file labelled “DCP 306 impact on LDNO tariffs (by DNO)” shows the impact of DCP 306 on CDCM LDNO tariffs and on EDCM LDNO tariffs that are calculated as discounted versions of CDCM end user tariffs.

## Analysis of the results

* 1. DCP 306 would increase discount percentages for LV end-user demand, and reduce (or leave unchanged) discount percentages in all other cases.
  2. The largest impact is on discount percentages for LV end-user demand with a LV LDNO boundary. For this configuration, the increase in discount percentages caused by DCP 306 would range from 0.22 percentage points to 0.51 percentage points.
  3. For LV end-user demand with a HV or HVplus LDNO boundary, the increase in discount percentages caused by DCP 306 would range from 0.05 percentage points to 0.31 percentage points.
  4. The largest reduction in discount percentages caused by DCP 306 is 0.12 percentage points; this is for HV end user demand with a HVplus LDNO boundary in the Northern Powergrid Northeast area.
  5. There are some small increases (up to 0.27 per cent) to CDCM end user tariffs in all DNO areas.