

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>1. Do you understand the intent of DCP 306?</b>	<b>Working Group Comments</b>
ESP Electricity (ESPE)	Non- confidential	Yes, ESPE understands the intent of DCP 306.	Noted
Northern Powergrid	Non- confidential	Yes	Noted
WPD	Non- confidential	Yes	Noted
Electricity North West	Non- confidential	Yes, we understand the intent of the proposal.	Noted
UK Power Networks	Non- confidential	Yes.	Noted
The Electricity Network Company Ltd	Non- confidential	Yes	Noted
<b>Working Group Conclusions:</b> The Working Group noted all responses and concluded that all respondents understood the intent of DCP 306.			

<b>Company</b>	<b>Confidential / Anonymous</b>	<b>2. Do you agree with the principles of DCP 306?</b>	<b>Working Group Comments</b>
ESP Electricity (ESPE)	Non- confidential	Yes, ESPE agrees with the principles of DCP 306	Noted

Northern Powergrid	Non-confidential	<p>Yes in principle, but this should be considered as part of the wider review the industry is carrying out. This change is arguably serve to increase cost reflectivity for part of the methodology, but it would be more appropriate to seek a resolution within the CDCM as well as the PCDM and therefore not introduce a further element of distortion, between the 'all the way' and IDNO charges.</p> <p>In addition, the concept of a cost reflectivity principle being better achieved using data ~10 years old and limited to licence fees is in part a contradiction. We appreciate the rationale and restrictions that the proposer themselves acknowledges. We consider for the principle driving this change to be truly achieved there is a need for a more fundamental change which is not limited in scope to the PCDM, and this should be achieved via the wider industry review agenda. The resulting impact of this change will be to introduce a different methodology for allocating licence fees for IDNO and 'all the way' charges, which we believe should be avoided.</p> <p>Further, the issue which the change identifies is wider than simply the licence fee in the PCDM. Historically, overall demand on DNO networks was broadly proportional to customer numbers. Hence costs which are driven by customer numbers (e.g. call centre costs) could reasonably be allocated on either a £/customer or £/kWh basis, because if customer numbers increased demand also increased. With embedded generation and flexibility now prevalent on DNO networks, overall demand is no longer necessarily proportional to customer numbers, and so the assumption that £/customer costs can be allocated on a £/kWh basis is no longer valid. This is the case across both the CDCM and PCDM, and hence we believe this change in isolation will cause a distortion between the CDCM and PCDM.</p>	The Working Group recognise the NPG response, however, the intent of the CP is clear that it will only be looking at the PCDM and so the CDCM is out of scope for this change.
WPD	Non-confidential	Yes	Noted

Electricity North West	Non-confidential	<p>No, we are not in agreement with the principles of the change proposal. The proposer suggests that the Ofgem Licence Fees for a DNO are determined by MPANs (customer numbers).</p> <p>The principles of calculating the Ofgem Licence Fee are set out in Licence Fee Cost Recovery Principles (LFCRP) document issued in April 2016 (<a href="https://www.ofgem.gov.uk/system/files/docs/2016/11/lfcpr_document_april_2016.pdf">https://www.ofgem.gov.uk/system/files/docs/2016/11/lfcpr_document_april_2016.pdf</a>). As the LFCRP makes clear the licence fee costs charged to an Electricity Distributor under this methodology can additionally vary by: the number of electricity customers in total, the number of gas customers, an allocation percentage chosen by Ofgem between transmission and distribution (50%); and the total cost base of Ofgem. Given this we do not accept that MPANs are a driver of this cost. We believe it more likely that the key driver of this cost is the resource Ofgem requires (its cost base) to met its needs as a regulator.</p> <p>We do not believe that the resource requirements of Ofgem are directly proportionate to the number of Electricity customers in the UK or a DNO area, but will be more likely determined by factors such as, for example: the level of change in the industry; the behaviour of industry participants; and legislative requirements.</p> <p>We believe that MPANs have been chosen by Ofgem as a readily available proxy for the relative size of the entities and industries it is responsible for regulating. It is on this basis that MPAN numbers are used to allocate the total amount to be recovered via the Licence Fee to individual industry parties. We do not believe that the use of MPANs in this calculation dictates that this is the true driver of this cost or that DNOs should allocate this cost to their customers on the same basis.</p>	The Working Group accept comments made on how the costs are produced by Ofgem. This CP is looking at allocating on a £/MPAN basis which is moving from a fixed cost to a unit cost method and is not a like for like of what happens currently.
UK Power Networks	Non-confidential	Yes.	Noted

The Electricity Network Company Ltd	Non-confidential	Yes	Noted
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**Working Group Conclusions:** The Working Group concluded that 5 respondents agree with the principles of the change but 1 respondent disagrees. The Working Group believe that the change will provide better cost reflectivity by continuing with the principles of the change.

Company	Confidential/ Anonymous	3. Should the Ofgem Licence Fee cost all be allocated within the PCDM at the LV voltage level, or should the cost be allocated at each voltage level based on the numbers of customers connected at each? Please provide your rationale associated with your choice.	Working Group Comments
ESP Electricity (ESPE)	Non-confidential	<p>Allocating the Ofgem Licence Fee cost at each voltage level based on customer numbers would be the most appropriate approach for facilitating DCUSA Charging Objectives and DCUSA General Objectives. However, this information is not currently available in the CDCM, and ESPE understands that this information is deemed to be confidential.</p> <p>In light of this, ESPE believes the Ofgem Licence Fee cost should be allocated at the LV voltage level (using the information currently available). This solution is practical, and will significantly improve costs reflectivity within the PCDM by more accurately allocating the costs incurred on an LDNO network within the model.</p>	Noted
Northern Powergrid	Non-confidential	In the absence of customer numbers by voltage, it would seem reasonable to allocate to LV. However, if this change is to truly improve cost reflectivity it should be allocated to the	Noted

		<p>appropriate voltage regardless of the magnitude – and we do not consider the information at voltage level to be of concern given DNOs publish forecast MPAN count for each tariff in the CDCM and should hold the information.</p> <p>If cost reflectivity is to remain the driving principle for forward looking charges then this should be allocated to the appropriate voltage level in the same way the per MPAN licence fee costs are derived.</p> <p>We would encourage an impact assessment be carried out to draw out the differences in approach, as considered in the round it may prove beneficial that the simplicity and transparency achieved from allocating to LV at the expense of an immaterial reduction in cost reflectivity is a more pragmatic approach.</p>	
WPD	Non-confidential	The differences between the two methods is likely to be very little as the number of LV customers for each DNO far outweighs the number of HV and above customers. But we believe that the most cost reflective way would be to allocate the costs at voltage level.	Noted
Electricity North West	Non-confidential	We don't think Ofgem Licence Fee costs should be allocated to the LV voltage level only. We do not accept the principle behind this proposal, but even if it were accepted that Ofgem Licence Fee costs should be allocated on a per MPAN basis then it would be correct to allocate the costs across all MPANs including those connected at higher voltages. The forecast number of MPANs is a current input into the CDCM model so this approach would not impose extra undue burden or costs on the network operator in calculating charges.	Noted
UK Power Networks	Non-confidential	It would seem to be more cost reflective to allocate any charges based upon the number of customers connected at each voltage level rather than all to a single level, as this	Noted

		approach would seem to disadvantage a specific group of customers.	
The Electricity Network Company Ltd	Non-confidential	We do not have a strong preference on this particular question. If it is achievable to allocate the costs accurately to the number of customers at each of the voltage tiers then this would be preferable as it is the most cost reflective approach. However, we do believe that the solution proposed, to allocate all the costs to the LV service level, is more cost reflective than the current approach.	Noted
<p><b>Working Group Conclusions:</b> The Working Group understand that Parties want to allocate the Ofgem Licence Fees at various voltage levels, however, from a pragmatic point of view, the Working Group will look at their number of customers to consider if a modelling change will be needed. The DNOs believe that it will be between 0.1-0.2% of customers that will be affected and so the Working Group will be continuing at allocating at LV service level to provide a better cost reflective method.</p>			

Company	Confidential/ Anonymous	4. Are the number of customers connected at each voltage level easily identified? If so, is there a specific report already available? If not, how can this be achieved?	Working Group Comments
ESP Electricity (ESPE)	Non-confidential	ESPE is able to produce a report showing the number of customers connected at each voltage level.  With respect to an industry wide report, it is ESPE's understanding that this information is not currently available; we cannot comment on the ease of customer number identification for other LDNOs.	Noted
Northern Powergrid	Non-confidential	Forecast CDCM customer numbers are already published in the CDCM and we do not anticipate their being problems in aggregating information to voltage level for 'all the way'	Noted

		customers, potentially using table 2801. Network level of supply by tariff to map customer to voltage levels.	
WPD	Non-confidential	Use the CDCM MPANs from table 1053 and the EDCM model to determine the forecast of customers.	Noted
Electricity North West	Non-confidential	This information is included in the existing volume forecast in the CDCM inputs.	Noted
UK Power Networks	Non-confidential	Instead of using a specific report, could the forecast volumes in the CDCM (input table 1053) be utilised, as any variance between actual and forecast volumes is likely to be very small.	Noted
The Electricity Network Company Ltd	Non-confidential	This is not a question that is relevant to IDNOs as it will not be an input that IDNOs would need to generate to create the model.	Noted
<b>Working Group Conclusions:</b> The Working Group believe that the relevant information is available by using table 1053 from the PCDM.			

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>5. Is the 2007/08 data the best data set to use or this there a better data source that could be utilised? Please provide your rationale.</b>	<b>Working Group Comments</b>
ESP Electricity (ESPE)	Non-confidential	<p>Whilst ESPE would prefer more up-to-date Regulatory Report Pack (RRP) data be utilised (as this would better reflect the costs incurred by LDNOs), we understand this information has been deemed confidential.</p> <p>The feasibility and best method of obtaining this information would need to be resolved.</p>	Noted

		In the case that recent information cannot be provided due to issues surrounding its confidentiality, the 2007/2008 data set would be the most suitable data source to use.	
Northern Powergrid	Non-confidential	<p>If this remains the only available data it is arguably the best data set 'available', however we believe this should be addressed as part of a more fundamental review as this impacts elsewhere and opens up the possibility of further improving costs reflectivity.</p> <p>DNOs may need to consult internally to understand what information can be made available, and likewise Ofgem may wish to consider what RRP data could be made publicly available, which may represent extracts of the RIGs submissions to better serve the wider review.</p>	Noted
WPD	Non-confidential	This would seem consistent with the rest of the PCDCM	Noted
Electricity North West	Non-confidential	The 2007/2008 RRP data should be used as this is consistent with the rest of the data in the PCDM. It is the relative level of the Licence Fee compared to other costs, and the allocations applied, that are relevant in determining the LDNO discount percentages.	Noted
UK Power Networks	Non-confidential	Using data from 2007/08 aligns with the existing arrangements in the PCDM, but as stated in the consultation this is now a number of years out of date. However we are not aware of a better source of data and it would need to be carefully considered whether even if a better source exists it would be appropriate to use considering the rest of the data in the PCDM dates back a significant number of years.	Noted

The Electricity Network Company Ltd	Non-confidential	The 2007/08 data is considerably out of date but unless the entirety of the PCDM data is updated, then it would seem appropriate to continue using 2007/08 data for consistency purposes. We note that although the present solution dictates the use of the 2007/08 data should there be a wholesale change to the cost data that is used for the PCDM then it would merely be a case of updating the reference to use up to date data.	Noted
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**Working Group Conclusions:** The Working Group agreed that for the intent of this change it is better to use the 2007/08 data set to be consistent with the rest of the PCDM. However, the industry might need to consider a wider review in the future.

Company	Confidential I/ Anonymous	6. Should this Change Proposal be resolved by an alternative approach, i.e. SCR or CDCM review? Please provide your rationale.	Working Group Comments
ESP Electricity (ESPE)	Non-confidential	The suggested changes within this Change Proposal are specific to the PCDM. There are no interdependencies between this Change Proposal and any other ongoing stream of work relating to electricity distribution charging. As this change will enhance cost reflectivity, and align with Ofgem's high level charging principles, we do not believe an alternative approach is suitable or required.	Noted
Northern Powergrid	Non-confidential	Yes. We consider for the principle driving this change to be truly achieved there is a need for a more fundamental change which is not limited to the scope of the PCDM. The distribution charging methodologies review or potential Ofgem Task Force on forward looking charges under the SCR would better facilitate this.	Noted
WPD	Non-confidential	This change proposal could be resolved by the SCR or the CDCM but it also could be resolved by this approach.	Noted

Electricity North West	Non-confidential	The calculation of IDNO tariffs is an important area and should be considered by the SCR, CDCM review process. The governance arrangements in place (CFF/CDB) should determine if an alternative approach is required.	Noted
UK Power Networks	Non-confidential	The CDCM / EDCM review, undertaken by the DCMF MIG considered whether the current LDNO arrangements considered all costs, including licence fees, alongside DCC and other costs. As a result we believe that the work of DCP306 should be part of the review under the CFF arrangements, further to this is licence fees are being considered we believe that it is appropriate that any further costs not currently used in the calculation of the LDNO discounts (such as those of DCC amongst others) should also be considered at the same time.	Noted
The Electricity Network Company Ltd	Non-confidential	No. We do not believe any of the principles supporting DCP 306, or any of the outcomes it is seeking to create are within scope of the SCR. We consider that this issue a discrete issue which does not impact nor affect the way that the CDCM review, SCR or TCR will be progressed. Notwithstanding that if this issue is resolved fully and immediately by the outputs of the TCR then this change proposal could be withdrawn.	Noted
<p><b>Working Group Conclusions:</b> The Working Group recognise that the change is in the gift of the proposer and considerations from respondents have been taken into account. Ofgem will be issuing papers from the CFF in early November and so the Working Group will be convening to review these and agree next steps of this change.</p>			

Company	Confidential / Anonymous	7. Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.	Working Group Comments
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ESP Electricity (ESPE)	Non- confidential	<p>ESPE agrees with the proposer's view that this change will better facilitate DCUSA Charging Objective 3 and DCUSA General Objective 1. This is because Ofgem Licence Fees are not currently included in the calculation of the operating expenditure cost allocation driver within the PCDM.</p> <p>Ofgem Licence Fee costs should be allocated as equally as possible across all customers. Allocating this cost directly to the LV network level would better reflect the costs incurred on an LDNO's network, better facilitating Objectives 1 and 3.</p>	Noted
Northern Powergrid	Non- confidential	We agree with the proposer that the principle of this change better facilitates DCUSA Charging Objective 3.	Noted
WPD	Non- confidential	This better facilitated charging objective 3.	Noted
Electricity North West	Non- confidential	None. We do not believe that this proposal improves cost reflectivity of the model as we do not believe that the number of MPANs is a true driver of DNO Licence Fee costs.	Noted
UK Power Networks	Non- confidential	We would agree with the proposer that charging objective three is better facilitated by this change as it would better reflect the charges incurred. However we believe that the same charging objective could be further improved by the inclusion of all costs which are considered to not currently be included in the calculation of LDNO charges.	Noted
The Electricity Network Company Ltd	Non- confidential	DCP 306 better facilitates DCUSA Charging Objective 2 as the Charging Methodologies would produce charges that better reflect the costs incurred by the DNO Party in its Distribution Business	The ENC member of the Working Group explained that there was a typo in their response and they believe that DCUSA Charging Objective 3 is better facilitated.

**Working Group Conclusions:** The Working Group concluded that DCUSA Charging Objective 3 is better facilitated and a summary of all responses will be included in the Change Report for the change.

Company	Confidential/ Anonymous	8. By progressing this change, can you anticipate any impact on the SCR? If so, what is the impact?	Working Group Comments
ESP Electricity (ESPE)	Non- confidential	This Change Proposal seeks to amend the how Ofgem Licence Fees are allocated within the PCDM and, therefore, should not impact on the SCR.	Noted
Northern Powergrid	Non- confidential	In the absence of addressing the issue in the CDCM as well as the PCDM this change will indirectly impact the 'residual' charges by increasing the value to be recovered, but it will not impact the method of recovery which the SCR seeks to potentially change.	Noted
WPD	Non- confidential	The SCR or CDCM review groups should be aware of this change proposal.	Noted
Electricity North West	Non- confidential	We believe this change could be progressed in isolation, but this will have the impact of spreading industry resources more thinly (this is just one of a number of changes underway in addition to the SCR).	Noted
UK Power Networks	Non- confidential	If the work of the SCR or CFF does consider this area of work, then the work undertaken through this change would be duplicated effort, as a result we do not believe that this change should be progressed separately to the work under the SCR.	Noted
The Electricity Network Company Ltd	Non- confidential	There is no foreseen impact on the SCR as a result of DCP 306 progressing. The SCR considers the allocation of residual charges in the CDCM and for Transmission use of system charging. This change proposal only covers the PCDM.	Noted

**Working Group Conclusions:** The Working Group are aware of Ofgem documents being released in November. At the moment the Working Group believe that there will be no impacts on the wider industry but this will be clarified when the Ofgem Papers are issued for the CFF. These will be discussed at the next Working Group meeting.

Company	Confidential / Anonymous	9. Do you foresee any potential alternative to this Change Proposal having an impact on the SCR?	Working Group Comments
ESP Electricity (ESPE)	Non-confidential	Should the intent of this Change Proposal widen to include the cost allocation within the CDCM/EDCM, this may need to be considered within the SCR.	It is not in the Working Group's gift to widen the intent. A new change would need to be raised to do so.
Northern Powergrid	Non-confidential	Every change which impacts the charges will impact upon the value of the 'residual' however if the alternative represented amending the CDCM accordingly then we believe the outcome would be the same, so no.	Noted
WPD	Non-confidential	No	Noted
Electricity North West	Non-confidential	We have not identified any alternative at this time.	Noted
UK Power Networks	Non-confidential	The inclusion, or not, of other costs which we believe should also be considered at the same time as Ofgem licence fees would have an impact on any work being considered or undertaken as part of the SCR.	There are no fundamental issues with what the change is trying to do but the Working Group think that there should be a wider review of PCDM costs in the future.
The Electricity Network	Non-confidential	No.	Noted

Company Ltd			
<b>Working Group Conclusions:</b> The Working Group agree that a fundamental review of the PCDM and allocation of costs will be needed in the future but the intent of this change is too focussed so the Working Group are unable to deviate.			

Company	Confidential/ Anonymous	10. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group Comments
ESP Electricity (ESPE)	Non-confidential	No, ESPE is not aware of any wider industry developments that may impact or be impacted by this Change Proposal.	Noted
Northern Powergrid	Non-confidential	The distribution charging methodologies review has considered what this change proposal seeks to achieve, and still needs to be given further and more detailed attention. There remains plenty of scope within the wider review to incorporate this change, as well as being considered in the context of other changes being proposed and therefore mitigate the risk of implementing changes which may not compliment a solution to the bigger challenge of improving the charging methodologies as a whole (where the principles considered reach beyond cost reflectivity and should be considered in the round).	Noted
WPD	Non-confidential	The SCR and CDCM review group could impact this.	Noted
Electricity North West	Non-confidential	None beyond those already identified (TCR/SCR).	Noted
UK Power Networks	Non-confidential	The potential crossover of work being taken forward under the SCR as mentioned elsewhere in this response.	Noted

The Electricity Network Company Ltd	Non-confidential	No, although we understand that there may be outputs from the CDCM review or TCR which could, in future, impact on this change proposal.	Noted
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**Working Group Conclusions:** The Working Group acknowledged all of the respondents comments and concluded that the Working Group will review the outcomes of Ofgem's papers for the CFF to determine if there will be any cross over work with the CFF, SCR or the CDCM/EDCM reviews.

Company	Confidential/ Anonymous	11. Are there any alternative solutions or unintended consequences that should be considered by the Working Group?	Working Group Comments
ESP Electricity (ESPE)	Non-confidential	No, ESPE does not believe that there are any alternative solutions or unintended consequences that should be considered.	Noted
Northern Powergrid	Non-confidential	Nothing that has not been raised in answering the previous questions.	Noted
WPD	Non-confidential	None	Noted
Electricity North West	Non-confidential	None that we have identified at this time.	Noted
UK Power Networks	Non-confidential	As mentioned in the response to Q6 all costs not currently included such as the costs of DCC etc should be considered at this time and dealt with on a consistent basis to the Ofgem Licence fees. We also believe that the working group needs to understand what would be the most cost reflective way of recovering the licence fees? What is the driver for the costs – are they actually	Noted

		proportional to the number of customers? Once this is known and understood then the correct solution can be determined.	
The Electricity Network Company Ltd	Non-confidential	No	Noted
<b>Working Group Conclusions:</b> The Working Group noted that all respondents believe that there are no alternative solutions or unintended consequences.			

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>12. The proposed implementation date for DCP 306 is 01 April 2020. Do you agree with the proposed implementation date?</b>	<b>Working Group Comments</b>
ESP Electricity (ESPE)	Non-confidential	Yes, ESPE agrees with the proposed implementation date.	Noted
Northern Powergrid	Non-confidential	In isolation yes, but we retain the view that this change should be considered in a wider review to avoid introducing distortions between the CDCM and PCDM, and acknowledge that an implementation date could therefore be later than 1 April 2020. We feel that the distortions avoided by implementing this change concurrently with other related changes justify the potential later implementation date.	The Working Group acknowledged the NPG response.
WPD	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	If the proposal is accepted this date would be acceptable. We anticipate that the changes to the model would be	Noted

		straightforward and not require substantial changes to the model inputs.	
UK Power Networks	Non-confidential	Yes we agree that implementation for 1 April 2020 is appropriate for this change if it is progressed through this route, this is the same date as being proposed at the current time for changes brought about under the SCR.	Noted
The Electricity Network Company Ltd	Non-confidential	Yes, we agree with the proposed implementation date for DCP306.	Noted
<p><b>Working Group Conclusions:</b> The Working Group concluded that all respondents agree with the proposed implementation date of 01 April 2020.</p>			