

DCUSA DCP 306 CHANGE DECLARATION**VOTING END DATE: 14 MAY 2018**

DCP 306 – TREATMENT OF OFGEM LICENCE FEES WITHIN THE PCDM	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	Accept	n/a	n/a
IMPLEMENTATION DATE	Accept	Accept	Accept	n/a	n/a
RECOMMENDATION	<p>Change Solution – Accept. For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was more than 50%.</p> <p>Implementation Date – Accept. For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 50%.</p>				
PART ONE / PART TWO	Part One – Authority Determination Required				

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A / R)	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
DNO PARTIES				
SP Distribution	Accept	Accept	Charging Objective Three - this change provides for a more cost reflective mechanism for the allocation of the Ofgem licence fee	None
SP Manweb	Accept	Accept		
Northern Powergrid (Northeast) Limited	Accept	Accept	Charging Objective 3, due to the increase in cost reflectivity specific to the recovery of the Ofgem licence fee in the PCDM.	No.
Northern Powergrid (Yorkshire) plc	Accept	Accept		
Eastern Power Networks	Accept	Accept	We support the view of the working group that charging objective three is better facilitated by this change, as it provides a more cost reflective mechanism for the allocation of the Ofgem licence fee.	
London Power Networks	Accept	Accept		
South Eastern Power Networks	Accept	Accept		
WPD West Midlands	Accept	Accept	WPD agree with the change report in that charging objective 3 is better facilitated.	
WPD East Midlands	Accept	Accept		
WPD South Wales	Accept	Accept		
WPD South West	Accept	Accept		
Southern Electric Power Distribution	Accept	Accept	The DCUSA Charging Objective 3 would be better facilitated by this change	The proposed solution under this change proposal is to allocate all

Scottish Hydro Electric Power Distribution	Accept	Accept	because the revision in cost allocation of Ofgem Licence fees would better reflect the cost incurred to IDNOs.	Ofgem Licence fees to LV Services level, whereas in reality the Ofgem Licence fees can occur in any voltage level (on £ per MPAN basis). The proposed solution is acceptable under current circumstances due to the fact that the vast majority of Ofgem Licence fees are charges to LV Services level. This has been supported by impact analysis and MPAN count analysis already undertaken in the working group studies of this DCP. However we should bear in mind that situation may change in the future and if such cost treatment become distortive due to the future change, it would be prudent for the industry to review the allocation rules again at such time when this situation becomes apparent.
Electricity North West	Reject	Accept	We do not believe this proposal better facilitates the DCUSA Charging Objectives. We believe the proposal would weaken the cost reflectivity of the charging methodology and so would have an adverse impact against DCUSA Charging Objective 3.	Given the scale of change happening in the industry (Charging Futures Forum, Targeting Charging Review) we think it would be better to consider issues such as the one addressed by this change proposal as part of an overall review of the methodology.

			<p>Our reasoning for this is that we disagree with the implication of the proposed change that Ofgem Licensing Fees relate to MPANs. We understand that License Fees are allocated to network operators by Ofgem using the number of MPANs. However, it is our view that Licence Fees relate to the full scale of licensed activity undertaken by licensed parties, and the use of MPAN volumes by Ofgem is simply a proxy for the relative scale of licensed activity undertaken by network operators.</p> <p>It is therefore not appropriate to directly allocate the License Fee costs to the LV network level, as this ignores the amount of licensed activity undertaken at other network levels. We believe the existing treatment of these costs within the Price Control Disaggregation Model is more appropriate.</p> <p>If the change was accepted we do not see any issues with the proposed implementation date.</p>	<p>We accept it may be possible to improve the current methodology by a more detailed analysis of the cost allocations within the Price Control Disaggregation Model, but identifying one single cost to receive a specific allocation without reviewing all other cost elements at the same time could lead to a distortion of the methodology.</p>
IDNO PARTIES				
ESP Electricity Ltd ('ESPE')	Accept	Accept	ESPE agrees with the Proposer and Working Group's view that DCUSA	

			<p>Charging Objective 3 is better facilitated by this Change Proposal.</p> <p>Currently, the methodology uses an estimate of the Modern Equivalent Asset Value (MEAV) as a basis for allocating operating expenditure which smears the cost across all network levels. Whilst allocating the Ofgem Licence Fees based on actual customer numbers at each voltage level would be the most cost reflective approach, ESPE agrees that the benefit of doing so is outweighed by the complexity of gathering this data given that 99.8% of customers were forecasted to be connected at the LV network.</p> <p>Therefore, ESPE believes that allocating 100% of the Ofgem Licence Fee at LV better reflects the actual costs incurred and supports DCUSA Charging Objective 3 more than the current methodology.</p>	
<p>The Electricity Network Company Ltd</p>	<p>Accept</p>	<p>Accept</p>	<p>We believe that Charging Objective Three is better facilitated by DCP 306 as the solution leads to a more cost reflective allocation of the Ofgem licence fee than the current methodology.</p>	<p>We have no further comments.</p>

			<p>The current methodology effectively ‘smears’ costs across voltage levels via MEAV (including those which can be attributed to a £/MPAN cost). This creates a distortion whereby these ‘customer driven’ costs are skewed towards higher network tiers (i.e. EHV), leading to these customers unfairly subsidising customers connected at lower voltage tiers.</p> <p>The DCP 306 solution allocates the Ofgem licence fee to the LV Service network tier (which has been confirmed to include c.99% of connected customers). This provides a more cost reflective allocation of the licence fee as it allocates, more closely, these costs to the area of which they originate, rather than smearing across all network tiers.</p>	
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SUPPLIER PARTIES				
Haven Power	Accept	Accept	DCUSA Charging Objective 3 DCUSA General Objective 1	
Opus Energy Ltd	Accept	Accept	DCUSA Charging Objective 3. DCUSA General Objective 1	
DISTRIBUTED GENERATOR PARTIES				

N/A				
GAS SUPPLIER PARTIES				
N/A				